**Documents Incorporated by Reference into the**
**Credit Suisse International Irish Registration Document**

The following documents attached hereto are incorporated by reference into the Irish Registration Document of Credit Suisse International (CSI) and have been filed with the Irish Stock Exchange:

1) Historical and Financial information of CSI:

- the 2013 Annual Report of CSI (the “CSI Annual Report 2013”) which contains the audited financial statements of the Issuer for the year ended 31 December 2013 and a report of the Issuer’s auditors;

- the 2012 Annual Report of CSI (the “CSI Annual Report 2012”) which contains the audited financial statements of the Issuer for the year ended 31 December 2012 and a report of the Issuer’s auditors;

- the Interim Report of CSI for the six months ended 30 June 2014 (the “CSI Interim Report”) which contains the unaudited financial statements of the Issuer for the six months ended 30 June 2014;

2) Fourth Quarter 2014 Earnings Release on Form 6-K

the Form 6-K of Credit Suisse AG filed with the SEC on 12 February 2015 (the “Form 6-K Dated 12 February 2015”), which contains the 2014 Fourth Quarter Earnings Release of the Group within which there is unaudited information for the Group for the three and twelve months ended 31 December 2014, except that the information on page 4 under “Credit Suisse Group reports 4Q14 and full-year 2014 results” and on page 21 under “Quarterly results documentation” and “Contacts” is not incorporated by reference;

3) Third Quarter 2014 Financial Report for the Group

the Form 6-K of Credit Suisse AG filed with the Securities and Exchange Commission (the “SEC”) on 31 October 2014 (the “Form 6-K Dated 31 October 2014”) which contains the 2014 Third Quarter Financial Report of the Group within which there is unaudited information for the three and nine months ended 30 September 2014, except that the information on pages 1-2 under “Dear Shareholders” is not incorporated by reference;

4) Third Quarter 2014 Earnings Release on Form 6-K

the Form 6-K of Credit Suisse AG filed with the SEC on 23 October 2014 (the “Form 6-K Dated 23 October 2014”) which contains the 2014 Third Quarter Earnings Release which contains unaudited information for the Group for the three and nine months ended 30 September 2014, except that the information on page 3 under the heading “Credit Suisse Group reports 3Q14 and 9M14 results” is not incorporated by reference;

5) Second Quarter 2014 Financial Report / Six Months Financial Information for the Bank

the Form 6-K of Credit Suisse AG filed with the SEC on 31 July 2014 (the “Bank Form 6-K Dated 31 July 2014”), which contains: (i) an “Introduction”; (ii) “Forward-looking Statements”; (iii) “Key information”, (iv) “Operating and financial review and prospects”, and (v) Exhibits and includes the following documents exhibited thereto (1) “Ratio of earnings to fixed charges” (2) “‘Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm” (3) the 2014 Second Quarter Financial Report of the Group within which there is unaudited information for the Group for the three and six months ended 30 June 2014, except that the information on pages 1–2 under “Dear shareholders” is not incorporated by reference and (4) the 2014 Bank Six Months Financial Statements within which there are unaudited financial statements for the six months ended 30 June 2014;

6) Second Quarter 2014 Earnings Release on Form 6-K

the Form 6-K of Credit Suisse AG filed with the SEC on 22 July 2014 (the "Form 6-K Dated 22 July 2014"), which contains the 2014 Second Quarter Earnings Release of the Group within which there is unaudited information for the Group for the three and six months ended 30 June 2014, except that the information on page 3 under "Credit Suisse Group reports 2Q14 and 6M14 results" is not incorporated by reference;

7) Media Release on Form 6-K

the Form 6-K of Credit Suisse Group AG and Credit Suisse AG Dated 19 May and filed with the SEC on 20 May 2014 (the "Form 6-K Dated 19 May 2014") which contains a media release announcing a comprehensive and final settlement regarding all outstanding U.S. cross-border matters including agreements with the U.S. Department of Justice, the New York State Department of Financial Services, the Board of Governors of the U.S. Federal Reserve System and, as previously announced, the U.S. Securities and Exchange Commission;

8) First Quarter 2014 Financial Report on Form 6-K

the Form 6-K of Credit Suisse AG filed with the SEC on 2 May 2014 (the "Form 6-K Dated 2 May 2014"), which contains the 2014 First Quarter Financial Report of the Group within which there is unaudited information for the Group for the three months ended 31 March 2014, except that the information on pages 1-2 under "Dear Shareholders" is not incorporated by reference;

9) First Quarter 2014 Earnings Release on Form 6-K

the Form 6-K of Credit Suisse AG filed with the SEC on 16 April 2014 (the "Form 6-K Dated 16 April 2014"), which contains the 2014 First Quarter Earnings Release of the Group within which there is unaudited information for the Group for the three months ended 31 March 2014, except that the information on page 2 of the Earnings Release under the heading "Credit Suisse Group reports 1Q14 results" is not incorporated by reference;

10) Historical Financial Information of the Bank and the Group for 2013

the Form 20-F of Credit Suisse Group AG and Credit Suisse AG filed with the SEC on 3 April 2014 (the "Group Annual Report 2013"), which contains the 2013 Annual Report of the Group within which there are audited financial statements of the Bank for the year ended 31 December 2013 and a report of the Bank's auditors, except that the information on pages 5-8 under "Message from the Chairman and the Chief Executive Officer" is not incorporated by reference; and

11) The restated Fourth Quarter Financial Information for the Group on Form 6K/A

the Form 6-K/A of Credit Suisse AG filed with the SEC on 3 April 2014 (the "Form 6-K/A Dated 3 April 2014"), which contains the restated 2013 Fourth Quarter Financial Report of the Group within which there is unaudited information for the Group for the three and twelve months ended 31 December 2013, except that the information appearing at the front of the Financial Report, after the Financial highlights table, beginning with the title "Dear shareholders" and ending with the paragraphs entitled "Performance of our businesses in the fourth quarter and the full-year 2013" (inclusive), is not incorporated by reference.

CREDIT SUISSE

# Credit Suisse International

## Annual Report 2013

**Board of Directors (as at 21 March 2014)**

| |
|---|
| Noreen Doyle (Chair and Independent Non-Executive) |
| Gael de Boissard (CEO) |
| Eric Varvel |
| Michael Hodgson (Deputy CEO) |
| Gary Bullock |
| Richard Thornburgh (Independent Non-Executive) |
| Stephen Kingsley (Independent Non-Executive) |

**Company Secretary**

Paul E Hare

| | |
|---|---|
| Company Registration Number | 2500199 |

# Strategic Report for the Year ended 31 December 2013

The Directors present their Annual Reports and the Financial Statements for the year ended 31 December 2013.

## Business Review

### Profile

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. CSi together with its subsidiaries is referred to as the 'CSi group'.

CSi is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity, commodity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

CSi is an unlimited company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised under the Financial Services and Markets Act 2000 by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA').

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through two divisions, Investment Banking and Private Banking & Wealth Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 46,000 employees from approximately 150 different nations.

### Management and governance

A number of management and governance changes have been effected. Richard Thornburgh was appointed as a Non-Executive Director and Gary Bullock as an Executive Director of the CSi group's Board. Chris Carpmael, James Leigh-Pemberton and Tobias Guldimann have resigned. In addition, Stephen Kingsley and Richard Thornburgh were appointed as members of the Audit Committee. Noreen Doyle, Gary Bullock, Stephen Kingsley, Eric Varvel and Richard Thornburgh were appointed as members of the Risk Committee. The Board approved the formation of a Board Nomination Committee, comprising of Non-Executive Directors and chaired by Noreen Doyle, on 8 November 2013. All Board appointments are approved by CSG. These committees are described in more detail under 'Internal Control and Financial Reporting' on page 10.

As in previous years employee compensation remains the subject of the CS group Remuneration Committee. The recommendations are, however, reviewed by CSi's Board of Directors. Consistent with the requirements of the PRA Remuneration Code the Bank has broadened the 'Malus clause' which is applicable to Code staff, UK Managing Directors and certain other identified employees.

A London Conduct Risk Committee ('LCRC') has been established which is designed to enable the Bank to review the effectiveness of the Bank's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The LCRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the conduct risk space. The LCRC will consider reports covering conduct risk identification, conduct risk mitigation and conduct risk management information.

### Principal products/Principal product areas

The CSi group has three principal business divisions which are managed as a part of the Investment Banking Division of CS group:

- The Fixed Income Division ('FID') provides a complete range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real estate related assets.
- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.
- The Investment Banking Division ('IBD') includes financial advisory services regarding mergers and acquisitions, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with FID and Equities, capital raising services.

During the year, Non-Strategic Units were created within the Fixed Income, Equity and Investment Banking divisions to further accelerate a reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on strategic businesses and growth initiatives. Non-strategic activities and positions are defined as activities with significant capital absorption under new regulations and returns below expectations, activities with significant leverage exposures identified for de-risking, activities no longer feasible or economically attractive under emerging regulatory frameworks and assets and liabilities of business activities being wound down. Included in the Non-Strategic Units are the fixed income wind-down portfolio, legacy rates business, capital instruments that are not compliant with the Basel III capital framework and capital-intensive structured positions. The Non-Strategic Units have been retained within the divisions, so as to benefit from senior management's expertise and focus. The Non-Strategic Units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board.

### Economic environment

In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 2.0% in 2013 compared to 2.7% in 2012. The Bank of England ('BOE') maintained interest rates at 0.5% throughout the year and the stock of asset purchases financed by the issuance of central bank reserves at GBP 375 billion. The unemployment rate fell to 7.1% at the end of 2013 from 7.7% in 2012. UK Gross Domestic Product ('GDP') grew from 0.4% in 2012 to 0.7% in 2013.

Market sentiment improved significantly at the start of 2013, reflecting a continued positive response to central bank policy measures. These included a move by the European Central Bank ('ECB') to support euro-area sovereign debt markets through its programme of Outright Monetary Transactions ('OMT'), and a commitment from the US Federal Reserve ('Fed') to continue its open ended purchase of assets until the labour market showed tangible signs of recovery. The US economy showed further signs of recovery, with the unemployment rate falling to a four year low and improvement in the housing market. In the Eurozone, a bailout package for Cyprus was agreed which imposed losses on bank deposits above the insurance threshold of EUR 100,000 and resulted in the restructure of the country's second largest bank. In Japan, the Bank of Japan ('BOJ') increased its inflation target from 1% to 2%.

Market expectations of a continuation of relaxed monetary policy were confirmed to some extent by the actions of Central Banks. The BOJ doubled the size of its asset purchase programme and announced a massive monetary stimulus program in April in order to achieve a 2% inflation target within two years, leading to a sharp fall in the yen and a rise in the volatility of yields on Japanese government bonds ('JGBs'). The Fed indicated that it was prepared to increase the pace of its asset purchases and the impact of automatic government spending cuts was less negative than expected in the US. In early May, the ECB cut its main refinancing rate to an historic low of 0.5% and signaled that a negative deposit rate was an available measure. There were concerns about tight bank credit conditions faced by small and medium sized enterprises, particularly in the southern member states of the Eurozone.

Economic conditions in Europe and the US improved in the second half of the year. The Eurozone economy continued its recovery, economic indicators for US showed solid improvement, though the labour and housing markets were less robust, having been negatively affected by a relatively sharp increase in long term government bond yields and mortgage rates. Among the emerging market economies China showed signs of economic stabilisation. Both the ECB and BOE committed to keep interest rates low for a prolonged period. On the other hand, Central Banks in India, Brazil and Indonesia increased interest rates in reaction to declining exchange rates and increasing inflationary pressure.

The BOE announced changes to the Sterling Monetary Framework designed to increase the availability, term and flexibility of the liquidity insurance it supplies to the UK banking system. Market interest rates in advanced economies increased in expectation that the Fed would announce a reduction in the pace of its monthly asset purchases ('tapering') following its September meeting. When tapering was not announced, market rates fell back somewhat. A decline in short rates was offset by improvements in the medium-term growth outlook in the United States and United Kingdom, leaving longer term interest rates broadly unchanged over the second half of the year.

## Financial markets and sector environment

At the start of 2013, equity markets benefited from easy monetary conditions and generally improved corporate earnings as well as a moderate increase in merger and acquisition ('M&A') activity. Overall, most equity markets added several percentage points by the end of March, reaching new multi-year highs, with the Nikkei 225 and the Swiss Market Index ('SMI') the best performing major indices. The S&P 500 closed above 1,550 index points, beating the previous high reached in 2007. From April to June, equity markets reversed some of their gains. This was mainly due to renewed uncertainties over the election outcome in Italy combined with a slowdown of momentum as a result of the Cyprus bail-out. While cyclical stocks and emerging markets underperformed due to fears of slowing economic growth, less monetary easing and rising interest rates, US markets and most European markets were resilient overall. Through the rest of the year, global equity markets had a strong performance, with most regions and sectors posting solid gains.

In fixed income, major benchmark government bond yields were volatile, increasing significantly until the beginning of September. Benefiting from their safe-haven status in Europe, German bunds outperformed US Treasuries during the period. However yields for Italian, Spanish and Portuguese bonds remained below the high levels seen in 2012. Following the Feds mid-September announcement to maintain its pace of monthly asset purchase at USD 85 billion, yields declined but started to increase again through the end of the year when the Fed announced in mid-December its decision to reduce the pace of monthly asset purchases to USD 75 billion.

In currency markets, overall the US dollar had a mixed performance against most currencies in 2013. At the beginning of 2013, the US dollar strengthened moderately against the Euro and the Swiss franc. The

Japanese yen was the weakest among the major currencies as yields in Japan fell and expectations of major easing by the BOJ increased. The British pound also weakened significantly against most currencies. In the middle of the year Commodity currencies, such as the Australian dollar, weakened sharply against the US dollar, mainly due a decline in commodity prices. Later in the year, the US dollar weakened against most major currencies. The weakness increased following the Feds mid-September announcement regarding future asset purchases. The Euro appreciated versus the US dollar as the Eurozone showed further signs of recovery from its recession. The British pound appreciated against both the US dollar and the Euro, reflecting improved UK economic growth and higher interest rates. Other economies such as Brazil, India, South Africa and Turkey experienced pressure on their foreign exchange rates as US yields increased.

With US yields rising and Chinese growth stabilising, the environment for commodities has been challenging. Commodity markets had a strong start to the year, however the gains reversed amid concerns that the Fed could reduce economic stimulus. Energy products were the best performing commodity class. Lower inflation expectations triggered significant selling activity in gold and silver markets. Gold was among the worst performing commodities during the year, with prices falling more than 28%.

2013 was a challenging year for the banking sector. The banking sector benefitted from Central Bank measures while the sector continued to transition to new regulatory requirements. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. Private banking clients maintained a cautious investment stance amid prevailing market uncertainty, with cash deposits remaining high despite low interest rates. In investment banking, equity trading volume was comparable to 2012. Trading volumes in Europe were generally stronger, while volumes in the US weakened. US fixed income volumes were slightly weaker compared to 2012 with stronger treasuries and corporate volumes being offset by weaker federal agency and mortgage backed volumes. Compared to 2012, activity from global completed M&A volumes increased slightly and global announced M&A volumes increased by more than 8%. Global equity underwriting volumes increased significantly and global debt underwriting volumes remained stable compared to 2012.

## Key performance indicators ('KPIs')

The Bank uses profitability and risk weighted assets as the primary KPIs to manage the financial position of the Bank. In a changing regulatory environment and with the increasing cost of capital these KPIs are critical to the successful management of the business to the Bank's objectives. Profitability and risk weighted assets are reviewed at the business line level to ensure a profitable and capital efficient business is maintained and developed, capital intensive businesses are closely monitored and reviewed.

## Performance

<u>Consolidated Statement of Income</u>

For the year ended 31 December 2013, the CSi group reported a net loss of USD 539 million (2012: USD 732 million loss). Net revenues amounted to USD 1,569 million (2012: USD 1,302 million). After operating expenses, the CSi group reported a loss before tax of USD 59 million (2012: USD 359 million loss).

While net revenues increased, 2013 was a challenging year with divisional revenues of USD 2,534 million (2012: USD 2,841 million). These comprised the following:

- A reduction in Fixed Income Division revenues of 18% to USD 1,495 million, marked by market uncertainty regarding US monetary policy and heightened volatility in emerging markets. As a result of the difficult operating conditions, the fixed income businesses were impacted by subdued corporate and institutional risk appetite and continued low client activity levels. Global Credit products reported decreased revenues in Structured Credit business and Investment Grade business decreased due to reduced trading volumes in secondary credit markets. The Rates business suffered in a record low interest rate environment, with volatilities and volumes falling considerably while client de-risking became a common theme.

- An increase in Equity Division revenues in 2013 of 7% to USD 873 million, benefiting from higher client activity, increased fund flows and investor rotation into equities throughout the year. Equity Derivatives revenues were bolstered by increased activity and favourable market moves in both Asia Pacific and America.

- A decrease of 18% in Investment Banking revenues to USD 166 million.

Included in the divisional revenues above, are non-strategic revenues of USD 90 million (2012: USD 46 million loss), mainly driven by one off gains in the Fixed Income Non-Strategic Unit as positions were exited.

Net revenues were positively impacted by the following items not included in the divisional revenues above:

- Reduced valuation losses of USD 108 million (2012: USD 160 million loss) as a result of fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness arising from the tightening of credit curves in 2013.

- Reduced revenue sharing expenses for the period of USD 506 million (2012: USD 734 million). This relates to revenue sharing agreements between the CSi group and other CS group companies.

- Reduced treasury funding charges of USD 448 million (2012: USD 662 million). This primarily comprises excess funding charges on long term financing versus overnight funding rates, which are only allocated out to the businesses at the CS group level. Partially contributing to this reduction was the impact of tightening to credit curves in 2013, resulting in losses of USD 16 million (2012: USD 99 million loss) as a result of fair value changes in treasury issued debt due to changes in the CSi's own creditworthiness.

- Release of a USD 104 million valuation adjustment in relation to trades where the CSi group is a market maker. As a result of the adoption of IFRS 13 'Fair Value Measurements', the CSi group aligned its valuation methodology with USGAAP Topic 820 'Fair Value Measurement, and under both GAAPs the CSi group values to the mid-price where the CSi group is a market maker.

The CSi group's operating expenses were USD 1,628 million (2012: USD 1,661 million). Compensation and benefits cost decreased by USD 8 million in 2013, primarily due to a special pension contribution paid to the UK Pension Trust in 2012. General and administrative expenses decreased by USD 25 million, USD 147 million of which was as a result of a decrease in overhead expenses allocated from CS group, partially offset by an increase of USD 24 million in amortisation of internally developed software and an increase of USD 21 million in brokerage charges and clearing house fees.

Included in operating expenses is an expense of USD 57 million (2012: USD 38 million) in respect of the UK Bank Levy. The tax, applicable to all Banks and Banking groups operating in the UK, is charged on liabilities as at the statement of financial position date at a rate of 13.0 basis points for all short-term liabilities and 6.5 basis points for long-term liabilities, increasing to 15.6 and 7.8 basis points respectively in 2014.

Income tax expense for the year ended 31 December 2013 was USD 480 million (2012: USD 373 million). Included in the income tax expense is an amount of USD 319 million as a result of an impairment of the deferred tax asset ('DTA'), following an assessment by management as to whether the DTA can be realised. In addition, the DTA was further reduced by USD 187 million to reflect the reduction in the UK statutory tax rate.

Consolidated Statement of Financial Position

As at 31 December 2013, the CSi group had total assets of USD 510 billion (31 December 2012: USD 687 billion).

The reduction in total assets was primarily on account of a decrease of USD 157 billion in Trading financial assets at fair value through profit or loss to USD 394 billion (31 December 2012: USD 551 million). The decrease was primarily due to mark to market moves on interest rate derivative products. Associated with this is a decrease of USD 14 billion in Other assets to USD 40 billion (31 December 2012: 54 billion), due to a reduction in cash collateral provided on OTC derivatives. There has similarly been a decrease of USD 154 billion in Trading financial liabilities at fair value through profit or loss.

Other loans and receivables have decreased by USD 10 billion to USD 4 billion (31 December 2012: USD 14 billion, with a corresponding reduction in Long term debt which decreased by USD 10 billion to USD 21 billion (31 December 2012: USD 31 billion). This was as a result of the unwind of a CS group structured transaction.

Total shareholder's equity has increased by USD 9 billion to USD 25 billion (31 December 2012: USD 16 billion) as a result of a USD 10 billion issuance of participating shares, further described under Capital Resources below. This resulted in an increase in Cash and due from banks of USD 8 billion to USD 27 billion (31 December 2012: USD 19 billion) as surplus funding was placed on deposit within the CS group.

Off-Balance Sheet arrangements are highlighted in Note 34 – Guarantees and Commitments and Note 35 – Securitisations, Special Purpose Entities and Other Structured Transactions.

## Principal Risks and Uncertainties

The primary responsibility for risk management within CSi group lies with the Bank's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk, settlement risk, country risk, reputational risk and conduct risk.

The Bank's risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with the Bank's control framework and in consideration of industry best practices.

The way in which these risks are managed is detailed in the Directors' Report, and the risks are detailed in Note 39 – Financial Instruments Risk Position.

### Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy, where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets were USD 12.5 billion as at 31 December 2013 (31 December 2012: USD 12.7 billion), which was equivalent to 2.45% of total assets. Total Level 3 liabilities were USD 11.4 billion as at 31 December 2012 (31 December 2011: USD 11.2 billion), which was equivalent to 2.31% of total liabilities.

Fair Value disclosures are presented in Note 36 – Financial Instruments.

## Capital Resources

The Bank closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework. CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy. No breaches were reported to the PRA during the year.

During the period, capital resources were increased through the drawdown of a USD 1.1bn Lower Tier 2 subordinated loan from Credit Suisse AG. In addition to this, in December 2013, CSi's Common Equity Tier 1 capital was increased by USD 10 billion in the form of participating shares, in preparation for the EU implementation of the Basel III capital framework. Specifically, Basel III introduced a number of new deductions from the capital base, and increased CSi's credit risk charges in several areas (e.g. CVA risk, exchange traded derivatives and exposures to financial institution counterparties).

Changes in subordinated debt are set out in Note 27 – Long Term Debt. Changes in capital are set out in Note 28 – Share Capital and Share Premium.

## Outlook

In 2013, CSi continued to make significant progress in executing its client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends. CSi is progressing towards achieving specific goals to reduce its cost base and strengthen its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014. CSi has further optimised its business footprint, continuing to shift resources to focus on growth in higher returning businesses. As a result of this progress, CSi believes that it is better positioned to perform in a challenging market environment and compete in its chosen businesses and markets around the world.

CSi remains committed to offering its clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. CSi is focused on businesses in which the bank has a competitive advantage and is able to operate profitably with an attractive return on capital in the new regulatory environment. While the industry still faces significant adjustments to new regulatory requirements, CSi has significantly evolved its business model to one that is compliant with the Basel III regulatory framework, including exiting certain non-Basel III compliant businesses. CSi will continue to invest in its market-leading, high-returning businesses while optimising its risk weighted assets and cost base to further improve returns. As part of continuing to advance its business model, CSi created Non-Strategic Units towards the end of 2013 with the goal of reducing costs and capital in the non-strategic portfolio and redeploy resources to growth initiatives in higher returning businesses.

In light of recent developments such as heightened regulatory focus on leverage, conduct risk, additional capital resource requirements under Basel III, and the migration of markets towards cleared and electronic trading, CSi is focusing on high volume, high liquidity electronic trading as part of its effort to migrate the business model to simplified and primarily exchange-cleared products in derivatives and reduce capital intensive structured activity.

CSi will additionally continue to focus on cost initiatives, in a challenging market environment, while still being positioned to take advantage of favourable market opportunities when they arise. Looking ahead, CSi believes that its client-focused and cost-and capital-efficient strategy will allow the delivery of strong returns. CSi continues to refocus resources on opportunities in high-returning businesses such as securitised products, global credit products, cash equities and emerging markets, and to reduce the impact of the Non-Strategic Units.

By Order of the Board

One Cabot Square
London E14 4QJ
21 March 2014

Paul E Hare
Company Secretary

# Directors' Report for the Year ended 31 December 2013

## International Financial Reporting Standards

The CSi group and Bank 2013 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the directors on 21 March 2014.

## Dividends

No dividends were paid or are proposed for the year ended 31 December 2013 (2012: USD Nil).

## Directors

The names of the directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2012 and up to the date of this report are as follows:

| **Appointment** | |
|---|---|
| Michael Hodgson | 28 March 2013 |
| Gael de Boissard | 28 March 2013 |
| Gary Bullock | 21 August 2013 |
| Richard Thornburgh | 21 August 2013 |

| **Resignation** | |
|---|---|
| James Leigh-Pemberton | 25 October 2013 |
| Tobias Guldimann | 31 December 2013 |
| Chris Carpmael | 01 January 2014 |

None of the directors who held office at the end of the financial year were directly beneficially interested, at any time during the year, in the shares of the Bank. Directors of the Bank benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

## Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the CSi group's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the CSi group's auditors are aware of that information.

## Corporate Governance

### Internal Control and Financial Reporting

The directors are ultimately responsible for the effectiveness of internal control in the CSi group. Procedures have been designed for safeguarding assets; for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and for that provided to external users. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that have been established are designed to provide effective internal control within the CSi group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSi group have been in place throughout the year and up to 21 March 2014, the date of approval of the Credit Suisse International Annual Report for 2013.

Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit, market, operational and other authorisation limits, and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well-established budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year, and other performance data.

Committees

The Board delegates certain functions and responsibilities to the following committees:

Credit Suisse International Audit Committee

The purpose of the Committee is to:

- review the Internal Audit Plan to ensure its adequacy, as it pertains to the CSi group;
- review systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports and management letters;
- review with the management and jointly with the Credit Suisse International Risk Committee, significant operational risk matters involving business processes and system infrastructure;
- review with management and jointly with the Credit Suisse International Risk Committee, significant matters of potential reputational risk;
- review the Annual Financial Statements on behalf of the Board; and
- report significant issues to the Board.

The Audit Committee members are Stephen Kingsley (Chair), Noreen Doyle and Richard Thornburgh. James Leigh-Pemberton left Credit Suisse and accordingly resigned from the Board and the Audit Committee during the year.

In reviewing the Credit Suisse International Annual Report 2013, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

Credit Suisse International Risk Committee

The purpose of the Committee is to:

- review and assess the integrity and adequacy of the risk management function of CSi group including processes and organisational structures;
- review and assess the CSi group's credit, market and operational risk including any large exposures;
- review the Internal Capital Adequacy Assessment Process ('ICAAP');
- review with the management and jointly with the Credit Suisse International Audit Committee, significant operational risk matters involving business processes and system infrastructure;

- review and assess the adequacy of the risk measurement methodologies including the Risk Appetite framework;
- review other major risk concentration as deemed appropriate;
- monitor the adequacy of the business continuity program;
- review with management and jointly with the Credit Suisse International Audit Committee, significant matters of potential reputational risk;
- review and advise on risk adjustments to remuneration schemes; and
- report significant issues to the Board.

The Risk Committee members are Richard Thornburgh (Chair), Noreen Doyle, Stephen Kingsley, Eric Varvel and Gary Bullock.

Credit Suisse International Nomination Committee

The purpose of the Committee is to:

- engage a broad set of qualities and competences when recruiting members to the Board of Directors ('BoD') and put in place a policy promoting diversity on the BoD;
- identify and recommend for approval, by the Company shareholder (Credit Suisse Group AG / Credit Suisse AG) candidates to fill BoD vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the BoD;
- make recommendations to the BoD concerning the role of chairman and membership of the board committees, in consultation with the chairmen of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- decide on a target for the representation of the under-represented gender in the BoD and prepare a policy on how to increase the under-represented gender in the BoD to meet that target;
- periodically, and at least annually, assess the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the BoD and of the BoD collectively, and report this to the BoD;
- periodically review the policy of the BoD for selection and appointment of senior management and review with the CEO the appointment of senior management; and
- in performing its duties and to the extent possible on an on-going basis, take account of the need to ensure that the BoD's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Bank as a whole.

The Credit Suisse International Nomination Committee members are Noreen Doyle (Chair), Stephen Kingsley and Richard Thornburgh.

Credit Suisse International Disclosure Committee

The purpose of the Committee is to ensure compliance with the EU Prospectus and Transparency directives in relation to the listing by the Bank of debt securities on European exchanges. The Committee reviews and updates the Bank's disclosure document and ongoing disclosure requirements so as to provide investors with all such information as may reasonably be required to make an informed assessment of the Bank as an issuer of debt securities.

## Risk management

Overview

The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. The Bank has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring credit, market, liquidity, operational and reputational risks, and managing concentrations of risks.

Risk governance

The prudent taking of risk in line with the Bank's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Bank seeks to continuously strengthen the risk function, which is independent of but closely interacts with the businesses, to ensure the appropriate flow of information. In 2012, the Bank made a series of changes to the risk governance framework designed to enhance the effectiveness of controls at all levels of the organisation. These changes included the appointment of a CRO with responsibility for overseeing the Bank's profile across all relevant risk types, the establishment of new risk committees at Board and senior management levels to increase the scrutiny over the Bank's risk exposures, and the introduction of new, more granular limits to provide additional controls over specific businesses, concentrations or particular risks. These changes are described in more detail below.

The Board of Directors set the overall framework for risk appetite and has delegated authority to establish more granular limits within the bounds of its overall risk limits to a UK Investment Banking Risk Management Committee, which is chaired by the Bank CRO and consists of senior risk and business managers. The purpose of the UK Investment Banking Risk Management Committee is to:

- ensure that proper standards for risk oversight and management are established;
- define and implement a risk appetite framework covering market, credit and operational risks and make recommendations to the Board on risk appetite;
- review the ICAAP and make recommendations to the Bank's Risk committee on capital;
- allocate risk capital and establish risk limits for individual businesses within authorities delegated by the Board;
- review the risk portfolio, set and approve limits and ceilings and other appropriate measures to monitor and manage the risk portfolio for the Bank; and
- review and implement appropriate controls over remote booking risk relating to the Bank.

Risk organisation

Risks arise in all of the Bank's business activities and cannot be completely eliminated, but they are monitored and managed through its internal control environment. The Bank's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within limits set in a transparent and timely manner.

The Bank's independent risk management function is headed by the Bank's CRO, who reports jointly to the Bank's CEO and the CRO of CS group. The Bank CRO is responsible for overseeing the Bank's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Bank has strengthened the risk management function to provide a more dedicated focus on the risks at the Bank level, in addition to the global risk management processes applied by CS group.

The risk management function is responsible for providing oversight and establishing a framework to monitor and manage all risk matters through four primary risk departments: Strategic Risk Management ('SRM') assesses the Bank's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; Risk Analytics and Reporting ('RAR') is responsible for risk analytics, reporting, risk model validation, systems implementation and policies; Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances, and includes the Credit Analytics department; and Operational Risk Managment ('ORM') is responsible for establishing a framework for managing operational risks including ensuring that operational risk policies are consistently implemented and helping understand, assess, and mitigate operational risks. The risk management function also addresses critical risk areas such as business continuity, technology risk and reputational risk management.

Committees are implemented at a senior management level to support risk management. The Reputational Risk and Sustainability Committee sets policies and reviews processes and significant cases relating to reputational risks. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters, for all CS group entities, including the Bank. The Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

<u>Risk limits</u>

A sound system of risk limits is fundamental to effective risk management. The limits define CSi group's maximum risk appetite given management capabilities, the market environment, business strategy and financial resources available to absorb potential losses. The Bank uses an Economic Risk Capital ('ERC') limit structure to manage overall risk-taking. The overall risk limits for the Bank are set by the Board of Directors and are binding.

Within the bounds of the overall risk appetite of the Bank, as defined by the limits set by the Board, the UK Investment Banking Risk Management Committee and Bank CRO are responsible for setting specific limits deemed necessary to manage the concentration of risk within individual lines of business and across counterparties. The Bank has a range of more granular limits for individual businesses, concentrations and specific risks, including, limits on transactions booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') or ERC, though they could also include exposure, risk sensitivity and scenario analysis. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty credit limits used to mitigate concentration risks. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated to more senior levels of management. In addition, the Bank has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action.

The majority of these limits are monitored on a daily basis, though those for which the inherent calculation time is longer (such as for ERC or some credit portfolio limits) are monitored on a weekly or monthly basis.

The Bank's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 39 – Financial Instruments Risk Positions.

Economic risk capital and position risk

ERC is the core CS group-wide risk management tool and is integrated throughout, being calculated, reported and monitored for both CS group as a whole and for material subsidiaries, such as the Bank. Its purpose is the measurement and reporting of all quantifiable risks and the measurement of risk in terms of economic realities rather than regulatory or accounting rules. It also provides a common terminology for risk across CS group, which increases risk transparency and improves knowledge-sharing. The development and usage of ERC methodologies and models have evolved over time without a standardised approach within the industry; therefore comparisons across firms may not be meaningful.

Position Risk, which is a component of the ERC framework, is used to assess, monitor and report risk exposures throughout CS group. Position Risk ERC is the level of unexpected loss in economic value on the entity's portfolio of positions over a one-year horizon that is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

As at 31 December 2013 the 99% Position Risk was USD 2,348 million (2012: USD 2,179 million) for CSi group which was within the agreed limit set by Board of Directors[1].

### Selected European credit risk exposures

CSi's exposure to certain European countries is summarised in the table below. Gross credit risk exposures, presented on a risk-based view, include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Net exposures include the impact of risk mitigation such as Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

Credit risk exposure to these European countries is managed as part of the overall CSi and CS group risk management process. This management includes the use of country limits, and the performance of scenario analyses on a regular basis including analyses on indirect sovereign credit risk exposures arising from exposures to selected European financial institutions.

| **31 December 2013** | **Sovereign** | | **Financial Institutions** | | **Corporate** | |
|---|---|---|---|---|---|---|
| **USD Billions** | **Gross Exposure** | **Net Exposure** | **Gross Exposure** | **Net Exposure** | **Gross Exposure** | **Net Exposure** |
| Greece | 0.3 | 0.2 | 0.0 | 0.0 | 0.1 | 0.1 |
| Ireland | 0.1 | 0.0 | 1.3 | 1.0 | 0.0 | 0.0 |
| Italy | 4.7 | 0.7 | 1.9 | 0.6 | 0.2 | 0.1 |
| Portugal | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 |
| Spain | 0.1 | 0.1 | 0.9 | 0.5 | 1.0 | 0.8 |
| **Total** | **5.3** | **1.0** | **4.2** | **2.1** | **1.4** | **1.1** |

## Employment of Disabled Persons

The CSi group adopts the CS group's policies relating to the employment of disabled persons and gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment.

The CS group has a Disability Interest Forum in place as a UK initiative. This forum:

- provides a support network;

[1] Unaudited. 31 December 2013 limit: USD 3,100 million

- facilitates information sharing for those with a disability or those caring for a family member or friend with a disability; and
- invites all those who want to participate and who have an interest.

The forum raises awareness of issues related to disability and promotes an environment where disabled employees are supported and are given the opportunity to reach their full potential.

## Donations

During the year the CSi group made USD 2,080 (2012: USD 204) of charitable donations. There were no political donations made by the CSi group during the year (2012: USD Nil).

## Auditors

Our auditors, KPMG Audit Plc, has instigated an orderly wind down of business and notified the Bank that they are not seeking reappointment. It is proposed that KPMG LLP be appointed auditors of the Bank and will hold office from the start of the financial year ending 31 Dec 2014 until the end of the next period for appointing auditors under section 485(2) of the Companies Act 2006, and that their remuneration be fixed by the Directors.

## Subsequent Events

In February 2014, CSG provided employees who hold outstanding 2011 Partner Asset Facility (PAF2) awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards. Refer to Note 30 – Share-based Compensation and other Compensation Benefits for further information on the exchange of PAF2 awards.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
21 March 2014

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report of the CSi group and the Bank in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSi group and Bank and of their profit or loss for that period. In preparing each of the CSi group and Bank financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CSi group and the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSi group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board of Directors on 21 March 2014 by:

Michael Hodgson

Director

# Independent Auditor's Report to the Members of Credit Suisse International

We have audited the financial statements of Credit Suisse International for the year ended 31 December 2013 set out on pages 19 to 163. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the parent company ('the Bank') financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the CSi group's and of the Bank's affairs as at 31 December 2013 and of the CSi group's loss for the year then ended;
- the CSi group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Bank financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the CSi group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and information given in the Corporate Governance Statement set out on pages 9 to14 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us;
- the Bank financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specific by law are not made;
- we have not received all the information and explanations we require for our audit;
- a Corporate Governance Statement has not been prepared by the Bank.

Simon Ryder

(Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

21 March 2014

# Consolidated Statement of Income for the Year ended 31 December 2013

| | Reference to note | 2013 | 2012 |
|---|---|---|---|
| **Consolidated statement of income (USD million)** | | | |
| Interest income | 5 | 770 | 1,077 |
| Interest expense | 5 | (849) | (1,248) |
| Net interest expense | | (79) | (171) |
| Commission and fee income | 6 | 193 | 173 |
| Commission and fee expense | 6 | (138) | (171) |
| Net commission and fee income | | 55 | 2 |
| Release of provision for credit losses | 7 | 7 | 44 |
| Net gains from financial assets/liabilities at fair value through profit or loss | 8 | 2,054 | 2,172 |
| Other revenues | 9 | (468) | (745) |
| **Net revenues** | | **1,569** | **1,302** |
| Compensation and benefits | 10 | (429) | (437) |
| General and administrative expenses | 11 | (1,199) | (1,224) |
| **Total operating expenses** | | **(1,628)** | **(1,661)** |
| **Loss before taxes** | | **(59)** | **(359)** |
| Income tax expense | 12 | (480) | (373) |
| **Net loss** | | **(539)** | **(732)** |
| Attributable to Credit Suisse International shareholders | | (539) | (734) |
| Attributable to noncontrolling interest | | - | 2 |

Loss for both 2013 and 2012 is from continuing operations.

The Bank's loss after tax was USD 536 million for the year ended 31 December 2013 (2012: Loss USD 691 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

There are no other comprehensive incomes or expenses not included within the Consolidated Statement of Income.

The notes on pages 27 to 163 form an integral part of the Financial Statements.

# Consolidated Statement of Financial Position as at 31 December 2013

| | Reference to note | 2013 | 2012 |
|---|---|---|---|
| **Assets (USD million)** | | | |
| Cash and due from banks | | 27,280 | 18,690 |
| Interest-bearing deposits with banks | | 285 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 14 | 21,698 | 24,103 |
| Trading financial assets at fair value through profit or loss | 15 | 393,957 | 551,463 |
| of which positive market values from derivative instruments | 15 | 348,292 | 500,362 |
| Financial assets designated at fair value through profit or loss | 16 | 20,564 | 20,128 |
| Other loans and receivables | 17 | 4,470 | 13,509 |
| Other investments | | 34 | 33 |
| Investment property | 18 | 466 | 518 |
| Current tax assets | | 65 | 71 |
| Deferred tax assets | 13 | 973 | 1,450 |
| Other assets | 19 | 39,538 | 53,960 |
| Property and equipment | 22 | 224 | 265 |
| Intangible assets | 23 | 434 | 465 |
| **Total assets** | | **509,988** | **687,180** |
| | | | |
| **Liabilities and shareholders' equity (USD million)** | | | |
| Deposits | 24 | 5,332 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 14 | 5,036 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 15 | 366,098 | 519,867 |
| of which negative market values from derivative instruments | 15 | 357,643 | 508,395 |
| Financial liabilities designated at fair value through profit or loss | 16 | 31,829 | 36,644 |
| Short term borrowings | 25 | 15,624 | 29,718 |
| Other liabilities | 19 | 39,584 | 44,966 |
| Provisions | 26 | 14 | 24 |
| Long term debt | 27 | 21,443 | 30,654 |
| **Total liabilities** | | **484,960** | **671,591** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 28 | 13,108 | 3,108 |
| Share premium | 28 | 12,699 | 12,699 |
| Retained earnings | | (779) | (240) |
| **Total shareholders' equity** | | **25,028** | **15,567** |
| Noncontrolling interest | 35 | - | 22 |
| **Total equity** | | **25,028** | **15,589** |
| | | | |
| **Total liabilities and equity** | | **509,988** | **687,180** |

The notes on pages 27 to 163 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 March 2014 and signed on its behalf by:

Michael Hodgson

Director

# Bank Statement of Financial Position as at 31 December 2013

| | Reference to note | 2013 | 2012 |
|---|---|---|---|
| **Assets (USD million)** | | | |
| Cash and due from banks | | 27,117 | 18,553 |
| Interest-bearing deposits with banks | | 285 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 14 | 21,698 | 24,103 |
| Trading financial assets at fair value through profit or loss | 15 | 393,972 | 551,432 |
| of which positive market values from derivative instruments | 15 | 348,684 | 500,717 |
| Financial assets designated at fair value through profit or loss | 16 | 20,564 | 20,128 |
| Other loans and receivables | 17 | 4,470 | 13,513 |
| Current tax assets | | 65 | 70 |
| Deferred tax assets | 13 | 973 | 1,450 |
| Other assets | 19 | 39,526 | 54,268 |
| Investments in subsidiary undertakings | 21 | 10 | 10 |
| Other investments | | 34 | 33 |
| Property and equipment | 22 | 224 | 250 |
| Intangible assets | 23 | 434 | 465 |
| **Total assets** | | **509,372** | **686,800** |
| | | | |
| **Liabilities and shareholders' equity (USD million)** | | | |
| Deposits | 24 | 5,332 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 14 | 5,036 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 15 | 366,410 | 520,013 |
| of which negative market values from derivative instruments | 15 | 357,955 | 508,541 |
| Financial liabilities designated at fair value through profit or loss | 16 | 30,895 | 35,797 |
| Short term borrowings | 25 | 15,624 | 29,742 |
| Other liabilities | 19 | 39,566 | 45,280 |
| Provisions | 26 | 14 | 24 |
| Long term debt | 27 | 21,454 | 30,649 |
| **Total liabilities** | | **484,331** | **671,223** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 28 | 13,108 | 3,108 |
| Share premium | 28 | 12,699 | 12,699 |
| Retained earnings | | (766) | (230) |
| **Total shareholders' equity** | | **25,041** | **15,577** |
| | | | |
| **Total liabilities and shareholders' equity** | | **509,372** | **686,800** |

The notes on pages 27 to 163 form an integral part of the Financial Statements.

Approved by the Board of Directors on 21 March 2014 and signed on its behalf by:

Michael Hodgson

Director

# Consolidated Statement of Changes in Equity for the Year ended 31 December 2013

| | Share Capital | Share Premium | Retained Earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Consolidated statement of changes in equity (USD million)** | | | | | |
| **Balance at 1 January 2013** | **3,108** | **12,699** | **(240)** | **22** | **15,589** |
| Issue of new participating shares | 10,000 | - | - | | 10,000 |
| Loss for the period | - | - | (539) | - | (539) |
| Subsidiaries sold in the year | - | - | - | (22) | (22) |
| **Balance at 31 December 2013** | **13,108** | **12,699** | **(779)** | **-** | **25,028** |

| | Share Capital | Share Premium | Retained Earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Consolidated statement of changes in equity (USD million)** | | | | | |
| **Balance at 1 January 2012** | **9,625** | **1,016** | **494** | **-** | **11,135** |
| **Total comprehensive income for the period** | | | | | |
| Loss for the period | - | - | (734) | 2 | (732) |
| Subsidiaries acquired in the year (refer Note 35) | | | | 20 | 20 |
| Cancellation of shares relating to capital restructuring[1] | - | - | - | - | - |
| Reduction in face value of Ordinary shares[2] | - | - | - | - | - |
| Transfer of Participating shares relating to capital restructuring | (3,951) | 3,951 | - | - | - |
| Transfer of Preference shares relating to capital restructuring | (5,235) | 5,235 | - | - | - |
| Issuance of Participating shares relating to capital restructuring | 581 | (581) | - | - | - |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | 329 | 2,634 | - | - | 2,963 |
| Issue of Participating shares | 1,759 | 444 | - | - | 2,203 |
| **Balance at 31 December 2012** | **3,108** | **12,699** | **(240)** | **22** | **15,589** |

There were no dividends paid during 2013 (2012: Nil).

The notes on pages 27 to 163 form an integral part of the Financial Statements.

[1] The cancellation is USD 200 but shown as Nil as the statement is presented in USD million.
[2] The reduction is USD 112 but shown as Nil as the statement is presented in USD million.

# Bank Statement of Changes in Equity for the Year ended 31 December 2013

| | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| **Bank statement of changes in equity (USD million)** | | | | |
| **Balance at 1 January 2013** | **3,108** | **12,699** | **(230)** | **15,577** |
| Issue of Participating shares | 10,000 | - | - | 10,000 |
| Loss for the period | - | - | (536) | (536) |
| **Balance at 31 December 2013** | **13,108** | **12,699** | **(766)** | **25,041** |

| | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| **Bank statement of changes in equity (USD million)** | | | | |
| **Balance at 1 January 2012** | **9,625** | **1,016** | **461** | **11,102** |
| | | | | |
| **Total comprehensive income for the period** | | | | |
| Loss for the period | - | - | (691) | (691) |
| Cancellation of shares relating to capital restructuring[1] | - | - | - | - |
| Reduction in face value of Ordinary shares[2] | - | - | - | - |
| Transfer of Participating shares relating to capital restructuring | (3,951) | 3,951 | - | - |
| Transfer of Preference shares relating to capital restructuring | (5,235) | 5,235 | - | - |
| Issuance of Participating shares relating to capital restructuring | 581 | (581) | | - |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | 329 | 2,634 | - | 2,963 |
| Issue of Participating shares | 1,759 | 444 | - | 2,203 |
| **Balance at 31 December 2012** | **3,108** | **12,699** | **(230)** | **15,577** |

There were no dividends paid during 2013 (2012: Nil).

The notes on pages 27 to 163 form an integral part of the Financial Statements.

[1] The cancellation is USD 200 but shown as Nil as the statement is presented in USD million.
[2] The reduction is USD 112 but shown as Nil as the statement is presented in USD million.

## Consolidated Statement of Cash Flows For the Year ended 31 December 2013

| | Reference to notes | 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities (USD million)** | | | |
| Loss before tax for the period | | (59) | (359) |
| **Adjustments to reconcile net loss to net cash used in operating activities** | | | |
| Non-cash items included in net loss before tax and other adjustments: | | | |
| Impairment, depreciation and amortisation | 22,23 | 255 | 218 |
| Loss on disposal of property and equipment | 22 | 17 | 1 |
| Loss on disposal of intangible assets | 23 | - | 2 |
| Accrued interest on long term debt | 5 | 406 | 585 |
| (Release of allowance for loan losses)/Provision for credit losses | 7 | (7) | (44) |
| Impairment on loan commitments | | - | (5) |
| Foreign exchange losses | | (47) | (17) |
| Impairment on investment property | 18 | 62 | 21 |
| Provisions | 26 | (10) | 1 |
| Gain on acquisition of PFS business (net of cash acquired) | 40 | - | - |
| **Cash generated before changes in operating assets and liabilities** | | **617** | **403** |
| Net decrease/(increase) in operating assets: | | | |
| Securities purchased under resale agreements and securities borrowing transactions | | 2,405 | 5,303 |
| Trading financial assets at fair value through profit or loss | | 157,505 | 23,269 |
| Financial assets designated at fair value through profit or loss | | (436) | (1,427) |
| Other loans and receivables | | 9,046 | 883 |
| Other assets | | 14,423 | 1,787 |
| **Net decrease/(increase) in operating assets** | | **182,943** | **29,815** |
| Net (decrease)/increase in operating liabilities: | | | |
| Deposits | | 192 | 1,923 |
| Securities sold under repurchase agreements and securities lending transactions | | 162 | (2,097) |
| Trading financial liabilities at fair value through profit or loss | | (153,769) | (31,357) |
| Financial liabilities designated at fair value through profit or loss | | (4,815) | 5,292 |
| Short term borrowings | | (14,094) | (3,024) |
| Other liabilities and provisions | | (5,425) | 2,116 |
| Share-based compensation | | 43 | 11 |
| **Net (decrease)/increase in operating liabilities** | | **(177,706)** | **(27,136)** |
| Income taxes refund | | 6 | 3 |
| Income taxes paid | | (2) | (3) |
| **Net cash generated from/(used in) operating activities** | | **5,858** | **3,082** |
| **Cash flows from investing activities (USD million)** | | | |
| Capital expenditures for property, equipment and intangible assets | 22,23 | (200) | (247) |
| **Net cash used in investing activities** | | **(200)** | **(247)** |
| **Cash flows from financing activities (USD million)** | | | |
| Issuances of long term debt | | 2,739 | 2,341 |
| Repayments of long term debt | | (12,321) | (946) |
| Issue of shares | 28 | 10,000 | 2,202 |
| Increase in noncontrolling interest | | (22) | 22 |
| **Net cash generated from financing activities** | | **396** | **3,619** |
| **Net increase/(decrease) in cash and due from banks** | | **6,054** | **6,454** |
| Cash and due from banks at beginning of period | | 19,022 | 12,568 |
| **Cash and due from banks at end of period** | | **25,076** | **19,022** |
| Cash and due from banks | | 27,280 | 18,690 |
| Interest-bearing deposits with banks | | 285 | 2,525 |
| Demand deposits | 24 | (2,489) | (2,193) |
| **Cash and due from banks at end of period** | | **25,076** | **19,022** |

Refer to Note 28 – Share Capital and Share Premium for significant non-cash transactions.

## Bank Statement of Cash Flows For the Year ended 31 December 2013

| | Reference to notes | 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities (USD million)** | | | |
| Loss before tax for the period | | (57) | (319) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Non-cash items included in net loss before tax and other adjustments: | | | |
| Depreciation and amortisation | 22,23 | 255 | 218 |
| Loss on disposal of property and equipment | 22 | 2 | 1 |
| Loss on disposal of intangible assets | 23 | - | 2 |
| Accrued interest on long term debt | 5 | 406 | 585 |
| (Release of allowance for loan losses)/Provision for credit losses | 7 | (7) | (44) |
| Impairment on loan commitment | | - | (5) |
| Foreign exchange losses | | (35) | (35) |
| Provisions | 26 | (10) | 1 |
| **Cash generated before changes in operating assets and liabilities** | | **554** | **404** |
| Net decrease /(increase) in operating assets: | | | |
| Securities purchased under resale agreements and securities borrowing transactions | | 2,405 | 5,303 |
| Trading financial assets at fair value through profit or loss | | 157,459 | 23,519 |
| Financial assets designated at fair value through profit or loss | | (436) | (1,427) |
| Other loans and receivables | | 9,050 | 884 |
| Other assets | | 14,742 | 1,770 |
| **Net decrease /(increase) in operating assets** | | **183,220** | **30,049** |
| Net (decrease)/increase in operating liabilities: | | | |
| Deposits | | 192 | 1,923 |
| Securities sold under repurchase agreements and securities lending transactions | | 162 | (2,097) |
| Trading financial liabilities at fair value through profit or loss | | (153,603) | (31,903) |
| Financial liabilities designated at fair value through profit or loss | | (4,902) | 5,499 |
| Short term borrowings | | (14,118) | (3,024) |
| Other liabilities and provisions | | (5,749) | 2,125 |
| Share-based compensation | | 35 | 16 |
| **Net (decrease)/increase in operating liabilities** | | **(177,983)** | **(27,461)** |
| Income taxes refund | | 6 | 3 |
| Income taxes paid | | (2) | (3) |
| **Net cash generated from/(used in) operating activities** | | **5,795** | **2,992** |
| Cash flows from investing activities (USD million) | | | |
| Capital expenditures for property, equipment and intangible assets | 22,23 | (200) | (248) |
| Investment in subsidiary | | | - |
| **Net cash used in investing activities** | | **(200)** | **(248)** |
| Cash flows from financing activities (USD million) | | | |
| Issuances of long term debt | | 2,658 | 2,335 |
| Repayments of long term debt | | (12,225) | (919) |
| Issue of shares | 28 | 10,000 | 2,202 |
| **Net cash generated by financing activities** | | **433** | **3,618** |
| **Net increase/(decrease) in cash and due from banks** | | **6,028** | **6,362** |
| Cash and due from banks at beginning of period | | 18,885 | 12,523 |
| **Cash and due from banks at end of period** | | **24,913** | **18,885** |
| Cash and due from banks | | 27,117 | 18,553 |
| Interest-bearing deposits with banks | | 285 | 2,525 |
| Demand deposits | 24 | (2,489) | (2,193) |
| **Cash and due from banks at end of period** | | **24,913** | **18,885** |

Refer to Note 28 – Share Capital and Share Premium for significant non-cash transactions.

## Notes to the consolidated financial statements

# Notes to the Financial Statements for the Year ended 31 December 2013

## 1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2013 comprise CSi and its subsidiaries (together referred to as the 'CSi group'). The Consolidated Financial Statements were authorised for issue by the Directors on 20 March 2014.

## 2. Significant Accounting Policies

### a) Statement of compliance

Both the Bank financial statements and the CSi group financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'). On publishing the parent company financial statements here together with the CSi group financial statements, the Bank is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Income and related notes.

### b) Basis of preparation

The Consolidated Financial Statements are presented in United States Dollars (USD) rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments that are hedged as a part of a designated hedging relationship and financial instruments designated by CSi group as at fair value through profit or loss.

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The CSi group and the Bank have unrestricted and direct access to funding sources of CSG. After making enquiries of the CSG, the Directors of the Bank have received a confirmation that CSG will ensure that the Bank maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

### Standards and Interpretations effective in the current period

The CSi group has adopted the following amendments in the current year:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other

Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments impact presentation only, and therefore the adoption of the amendments on 1 January 2013 did not have an impact on the CSi group's financial position, results of operation or cash flows.

- Amendments to IAS 19 Employee Benefits: In June 2011, the IASB issued Amendments to IAS 19 "Employee Benefits" (IAS 19). Among other changes, the amendments eliminate the option that allowed an entity to defer the recognition of changes in net defined benefit liability and amend the disclosure requirements for defined benefit plans and multi-employer plans. The CSi group participates in defined benefit plans that are CS group schemes, in which the CSi group is not the sponsoring entity, therefore no retirement benefit obligation is recognised in the Statement of Financial Position and defined contribution accounting is applied. As a result, the adoption of IAS19R on 1 January 2013 did not have an impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires certain disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. The adoption of IFRS 13 on 1 January 2013 resulted in a credit to the income statement of USD 104 million as a result of a change in application of valuation methodology in marking instruments within the bid-offer spread. In addition IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs. Please refer to Note 36 – Financial Instruments for further information.

- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7). The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments to IFRS 7 relate to disclosure only and therefore did not have an impact on the CSi group's financial position, results of operation or cash flows. Please refer to Note 40 – Offsetting of Financial Assets and Financial Liabilities for further information.

- Annual Improvements to IFRS 2009-2011 Cycle: In May 2012, The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" (Improvements to IFRS), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRS comprise amendments that result in accounting changes for presentation recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. The adoption of the Improvements to IFRS on 1 January 2013 did not have an impact on the CSi group's financial position, results of operation or cash flows.

### Standards and Interpretations endorsed by the EU and not yet effective

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective.

- IFRS 10 Consolidated Financial Statements: In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. IFRS 10 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IFRS 10 on 1 January 2014, did not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11 "Joint Arrangements" (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. IFRS 11 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IFRS 11 on 1 January 2014, did not have an impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 12 Disclosure of Interests in Other Entities: In May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities" (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the financial statements to evaluate the nature of and any associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires certain disclosures, for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. As IFRS 12 requires disclosures only, the adoption thereof on 1 January 2014 did not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IAS 27 Separate Financial Statements: In May 2011, the IASB issued an amended version of IAS 27 "Separate Financial Statements" (IAS 27). IAS 27 outlines the accounting and disclosure requirements for separate financial statements, IAS 27 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IAS 27 on 1 January 2014 had no impact as CSi does not prepare separate financial statements.

- IAS 28 Investments in Associates and Joint Ventures: In May 2011, the IASB issued IAS 28 "Investments in Associates" (IAS 28). The objective of IAS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The revised IAS 28 standard is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The adoption of IAS 28 on 1 January 2014, did not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The adoption of IAS 32 on 1 January 2014, did not have a material impact on the CSi group's financial position, results of operation or cashflows.

- Transition guidance for IFRS 10, IFRS 11 and IFRS 12: In June 2012, the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities; Transition Guidance" (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The Amendments to IFRS 10, IFRS 11 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013. The CSi group has adopted the requirements of this amendment with the provisions of IFRS 10, IFRS 11 and IFRS 12 as at 1January 2014. As the transition guidance is clarifications to IFRS 10,11,12, the impact is included in the adoption of the standards respectively.

**Standards and Interpretations not endorsed by the EU and not yet effective**

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The CSi group continues to evaluate the impact of adopting IFRS 9.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued "Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27" (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. When endorsed the adoption of Investment Entities amendments will not have an impact on the CSi group's financial position, results of operation or cash flows.

- IFRIC 21 Levies: In May 2013, the IASB issued "Levies" (IFRIC 21). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. When endorsed the adoption of IFRIC 21 will not have a material impact on the CSi group's financial position, results of operation or cash flows.

- Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle: In December 2013, the IASB issued both "Annual Improvements to IFRSs Cycle 2010-2012" and "Annual Improvements to IFRSs Cycle 2011-2013" (Improvements to IFRSs), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRSs are effective for annual periods beginning on or after 1 July 2014. The CSi group is currently evaluating the impact of adopting these Improvements to IFRSs.

The accounting policies have been applied consistently by all CSi group entities.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net income/ (loss) or total shareholders' equity.

### c) Basis of consolidation

The Consolidated Financial Statements include the results and positions of the CSi group and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Statement of Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related Notes of the CSi group.

A subsidiary is an entity in which the CSi group holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the CSi group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, the potential voting rights that presently are exercisable are taken into account. The results of subsidiaries acquired are included in the consolidated financial statements from the date that control commences until the date that control ceases. The CSi group reassesses consolidation status at least every quarterly reporting date.

The CSi group also consolidates subsidiaries when the substance of the relationship between the CSi group and the subsidiary indicates that the subsidiary is controlled by the CSi group in accordance with the Standing Interpretations Committee Interpretation (SIC) No. 12, 'Consolidation – Special Purpose Entities' (SIC 12). The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. Acquisition related costs such as legal or consulting fees are expensed in the period in which they are incurred. The excess of the cost of an acquisition over the CSi group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is below the fair value of the identifiable net assets (negative goodwill), a gain may be reported in other income.

The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements. Noncontrolling interests are presented in the Consolidated Statement of Financial Position as a separate component of equity. Net profit attributable to noncontrolling interests is shown separately in the Consolidated Statement of Income.

### d) Equity method investments

An equity method investment is an entity in which the CSi group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the CSi group holding in excess of 20%, but no more than 50%, of the voting rights. In assessing significant influence, potential voting rights that are presently exercisable are taken into account. Other factors that are considered in determining whether the CSi group has significant influence over another entity include representation on the board of directors, the interchange of managerial personnel and material intercompany transactions between the CSi group and the entity. Consideration of those factors might indicate that the CSi group has significant influence over another entity even though the CSi group's investment is less than 20% of the voting rights.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSi group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the equity method investment. Goodwill arising on the acquisition of an equity method investment is included in the carrying amount of the investment. When the CSi group's share of losses in an equity method investment equals or exceeds the recorded share of profits, including any other unsecured long-term receivables, the CSi group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

### e) Foreign currency

The Bank's functional currency is United States Dollars ('USD'). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Consolidated Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

Assets and liabilities of CSi group companies with functional currencies other than USD are translated to USD at foreign exchange rates ruling at the Statement of Financial Position date. The revenue and expenses of these CSi group companies are translated to USD at the average foreign exchange rates for the year. The resulting translation differences are recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the Consolidated Statement of Income as part of gain or loss on disposal.

### f) Cash and due from banks

For the purpose of preparation and presentation of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in 'Other assets' or 'Other liabilities'.

The CSi group holds money on behalf of clients in accordance with the client money rules of the UK's FCA. This money is included within 'Cash and due from banks' on the Statement of Financial Position and the corresponding liability is included in 'Other liabilities'.

### g) Securities purchased or sold under resale or repurchase agreements

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase ('repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated Statement of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSi group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

### h) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Consolidated Statement of Financial Positions unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

The CSi group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

### i) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities'.

### Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered closely related to the host instrument, either the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income, or the instrument, including the embedded feature, is accounted for at fair value either under the fair value option or due to classifcation as held for trading. In the latter case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. If separated for measurement purpose, the derivative is recorded in the same line in the Consolidated Statement of Financial Position as the host instrument.

### j) Financial assets and liabilities at fair value through profit or loss

The CSi group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSi group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not determined on quoted price in an active market for an identical asset or liability or on a valuation technique that uses data from observable inputs, then reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable inputs becomes available. Related realised and unrealised gains and losses are included in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss'.

### Trading financial assets and financial liabilities at fair value through profit or loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments, loans and precious metals. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

### Financial instruments designated as held at fair value through profit or loss

Financial assets and liabilities are only designated as held at fair value through profit or loss if the instruments contain an embedded derivative, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSi group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related financial assets and financial liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss'. Movements in 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit or loss are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

### k) Recognition and derecognition

#### Recognition

The CSi group recognises financial instruments on its Consolidated Statement of Financial Position when the CSi group becomes a party to the contractual provisions of the instrument.

#### Regular-way securities transactions

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSi group recognises regular-way purchases or sales of financial assets at the settlement date unless the instrument is a derivative or designated at fair value through profit or loss, in which case trade date accounting applies.

#### Derecognition

The CSi group enters into transactions where it transfers assets recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Consolidated Statement of Financial Position. Transactions where substantially all risk and rewards are retained include securities purchased or sold under repurchase agreements, securities borrowing and lending transactions, and sales of financial assets with concurrent return swaps on the transferred assets.

In transactions where the CSi group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the CSi group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The CSi group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSi group has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

### Securitisation

The CSi group securitises assets, which generally results in the sale of these assets to special purpose entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

Interests in securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the CSi group's retained interests do not result in consolidation of the special purpose entity, nor in continued recognition of the transferred assets, these retained tranches are typically recorded in 'Trading financial assets at fair value through profit or loss'. Gains or losses on securitisation are recognised in Statement of Income. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

### l) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

When calculating the effective interest, the CSi group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

### Impairment on other loans and receivables

The CSi group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Consolidated Statement of Financial Position date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has been incurred, but not yet been identified. Loans that are not individually significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

Many factors can affect the CSi group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral. The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income in 'Provision for credit losses'.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

### Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSi group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value. The subsequent measurement will depend on the nature of the collateral.

### Renegotiated loans

Where possible, the CSi group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

### Loan commitments

Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed in note j. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is raised in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

### m) Netting

The CSi group only offsets financial assets and liabilities and presents the net amount on the Statement of Financial Position where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the CSi group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 Financial Instruments: Presentation (IAS32) to offset transactions falling under Master Netting Agreements.

### n) Income tax

Income tax recognised in the Statement of Income for the year comprises current and deferred taxes. Income tax is recognised in the Consolidated Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

For UK corporation tax purposes the CSi may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the value of the tax losses surrendered to the claimant company.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Consolidated Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in Statement of Income for the periods presented is included in Note 12 Income Tax.

### Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSi group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

### o) Investment property

Investment property is initially measured at cost, and subsequent to initial recognition is measured using the cost model.

Investment property held under the cost model is subsequently measured at cost less depreciation and any provision for impairment unless held for sale. If held for sale it will be subsequently measured at the lower of carrying amount and fair value less costs to sell.

On an annual basis an independent external valuer is engaged to assist in the determination of the fair value using recognised valuation techniques. Consideration is given to the specific nature of the properties to reflect their highest and best use including any appropriate business plan.

## p) Intangible assets

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software is recognised as an asset when the CSi group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software. Also included within intangible assets is the customer list which was acquired as part of the PFS ('Prime Fund Solutions') acquisition and the capitalised cost is the fair value at the date of acquisition.

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion, or utilisation for internally developed software and over an estimated useful life of thirteen years using the straight line method for the customer list. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSi group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income.

## q) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSi group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

| | |
|---|---|
| Long leasehold buildings | 67 years |
| Leasehold improvements | 10 years |
| Computer equipment | 2-7 years |
| Office equipment | 5 years |

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment charge is recorded in profit and loss to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. The carrying amount of an asset for which an impairment loss has been recognised in prior years shall be increased to its recoverable amount only in a change of estimate in the asset's recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Income.

### r) Preference share capital

The CSi group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity. Therefore, preference share capital issued by the CSi group is classified as equity if it is non-redeemable and all dividends are discretionary, or is redeemable but only at the CSi group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

### s) Retirement benefit costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

In accordance with the provisions of IAS 19, "Employee Benefits" (IAS 19) for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the Statement of Financial Positions of the Bank and defined contribution accounting is applied, as the CSi group has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost. The CSi group's share of the retirement benefit obligation is instead recognised in the Statement of Financial Position of the sponsoring entity, Credit Suisse Securities (Europe) Limited ('CSSEL'), which is external to the CSi group but is a related party due to both entities being owned by CSG.

### t) Deposits

Deposits are funds held from customers (both retail and commercial) and banks, generally for the cash safekeeping and/or liquidity needs of those customers. The amount booked to the balance sheet positions represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums. Subsequent measurement is at amortised cost.

### u) Long term debt

Debt issued by the CSi group is initially measured at fair value, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest method to amortise cost at inception to the redemption value over the life of the debt. Csi group's long-term debt also includes instruments with embedded derivative features which are substantially all accounted for at fair value.

#### Debt with embedded derivatives

The CSi group issues long term debt containing embedded derivatives, most of which have been designated as financial liabilities at fair value through profit or loss. For more information on the criteria that must be met to designate a financial instrument at fair value please refer to the previous section of this disclosure with the same name. Both the host instrument and embedded derivative in these structured notes are remeasured at each reporting period with changes in fair value being reported in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss' in the Consolidated Statement of Income.

### v) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility is remote, except for those acquired under business combinations, which are recognised at fair value.

### w) Provisions

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'General and administrative expenses' on the Consolidated Statement of Income. Provisions for loan losses are recorded in 'Provision for credit losses' in the Consolidated Statement of Income.

### x) Share-based payments

The CSi group accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSi group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSi group. This entails the recognition of a liability, incurred and related to share-based payments, over the service period and in proportion to the service delivered at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period and if an award consists of individual tranches that vest in instalments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Consolidated Statement of Income.

### y) Other compensation plans

The CSi group has other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash payout is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout

### z) Interest income and expense

Interest income and expense includes interest income and expense on the CSi group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

### aa) Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable. Subsequent to initial recognition, the CSi group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the Statement of Financial Position date when it is probable that the financial obligation will occur. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate.

Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

### ab) Commissions and fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

i) The amount of revenue can be measured reliably;

ii) It is probable that the economic benefits associated with the transaction will flow to the entity;

iii) The stage of completion of the transaction at the reporting date can be measured reliably; and

iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fee revenue is recognised from a diverse range of services provided to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fees from mergers and acquisitions and other corporate finance advisory services);
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio management, granting of loan commitments where it is probable that the CSi group will enter into a specific lending arrangement, customer trading and custody services ); and
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees where it is probable that the CSi group will enter into a specific lending agreement) and recorded in 'Interest income'.
- Performance-linked fees or fee components are recognised when the recognition criteria are fulfilled

Incremental costs that are directly attributable to securing investment management contracts may be deferred to match the revenue recognised in relation to that transaction. These costs are recognised as the CSi group recognises the related revenue.

### ac) Operating leases

The leases entered into by the CSi group are exclusively operating leases. The total payments made under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place. For lease incentive provided by the lessor, the CSi group, as lessee, recognises the aggregate benefit as a reduction of rental expense over the lease term on a straight-line basis.

If the CSi group is the lessor in an operating lease it continues to present the asset subject to the lease in its financial statements and recognises lease income on a straight-line basis over the period of the lease.

### Subleases

The subleases entered into by the CSi group are exclusively operating leases. Sublease payments received are recognised through the Consolidated Statement of Income.

### ad) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when declared.

### ae) Noncontrolling interest

Noncontrolling interest is equity in subsidiaries not attributable, directly or indirectly, to the CSi group. The CSi group presents noncontrolling interest in equity. However, if the holders of noncontrolling interest have the right to put the shares to CSi or one of its subsidiaries the instrument may meet the definition of a liability and is presented as such in the consolidated financial statements of the CSi group.

## 3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with IFRS, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are prudent, reasonable and consistently applied.

For further information on significant accounting judgements and estimates refer to Note 2 – Significant Accounting Policies, specifically the following:

i) Derivative financial instruments and hedging

j) Financial assets and liabilities at fair value through profit or loss

k) Recognition and derecognition

l) Other loans and receivables

n) Income tax

s) Retirement benefit costs

v) Contingent liabilities

w) Provisions

x) Share-based payments

Management believes that the critical accounting estimates discussed below involve the most significant judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Consolidated Financial Statements.

### Fair Value

A significant portion of the CSi group's financial instruments (trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value) are carried at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain commercial papers ('CP'), most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain over the counter ('OTC') derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgement depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligations ('CDO's'), securities, private equity investments, certain loans and credit products, (including leveraged finance, certain syndicated loans and certain high yield bonds).

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments.

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities.

For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to a counterparty, such as collateral held and master netting agreements.

For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2013, 81.3% and 82.1% of CSi group's total assets and total liabilities respectively, were measured at fair value (2012: 83.3% and 83.2%, respectively). Level 3 assets were USD 12.5 billion as of the end of 2013 (2012: USD 12.6 billion). As of the end of 2013, these assets comprised 2.45% of total assets (2012: 1.82%) and 2.34% of total assets measured at fair value (2012: 2.18%).

For further information on the fair value hierarchy and a description of CSi group's valuation techniques, refer to Note 36 – Financial Instruments.

The CSi group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 AG 76. The financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or when the fair value is expected to become observable.

Control processes are applied to ensure that the fair value of the financial instruments reported in the Bank and CSi group Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSi group's control and governance processes on the fair value of financial instruments please refer Note 36 Financial Instruments.

### Special Purpose Entities

As part of normal business, CSi group engages in various transactions that include entities which are considered Special Purpose Entities ('SPEs'). An SPE is an entity which is created to accomplish a narrow and well defined objective, often created with legal arrangements that impose strict and sometimes permanent limits on the decision making powers of their governing board, trustee or management. Such entities are required to be assessed for consolidation under IAS 27 "Consolidated and separate financial instruments" and its interpretation, SIC-12 "Consolidation-Special Purpose Entities".

Transactions with SPEs are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the SPEs. Securitisation-related transactions with SPEs involve selling or purchasing assets and entering into related derivatives with those SPEs, providing liquidity, credit or other support. Other transactions with SPEs include derivative transactions in the CSi group's capacity as the prime broker for entities qualifying as SPEs. The CSi group also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, the CSi group is involved with SPEs which were formed for the purpose of offering alternative investment solutions to clients. Such SPEs relate primarily to fund-linked vehicles or fund of funds, where the CSi group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

An SPE is consolidated by the CSi group when the substance of the relationship between the CSi group and the SPE indicates that the SPE is controlled by a CSi group company. In assessing control, all relevant factors are considered, including qualitative and quantitative factors for example:

Qualitative factors:

(a) In substance, the activities of the SPE are being conducted on behalf of the CSi group according to its specific business needs so that the CSi group obtains benefits from the SPEs operation;

(b) In substance, the CSi group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the CSi group has delegated these decision-making powers;

Quantitative factors:

(c) In substance, the CSi group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) In substance, the CSi group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Quantitative factors are also known as the majority of the risks and rewards of ownership.

In the majority of cases, these SPEs are accounted for off-balance sheet under IFRS where the CSi group does not have the majority of the risks and rewards of ownership of the SPE.

SPEs may be sponsored by the CSi group, unrelated third parties or clients. Significant management judgement may be required both initially to apply the consolidation accounting requirements and thereafter, if certain events occur that require the CSi group to reassess whether consolidation is required.

### Contingencies and loss provisions

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision shall be recognised when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events

### Litigation contingencies

The CSi group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings, as well as the CSi group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

### Allowances and impairment losses on other loans and receivables

As a normal part of its business, the CSi group is exposed to credit risks through its lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSi group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSi group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk, industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSi group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate & institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSi group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSi group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

### Retirement Benefit Costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, CSi being a participant to the scheme and Credit Suisse Securities (Europe) Limited ('CSSEL'), a related party also owned by the CSG, as the sponsor. The CSi group's share of the retirement benefit obligation, main estimates and judgements lie with CSSEL which are described below:

The following relates to the assumptions CSSEL, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the CSi group is a participant.

The calculation of the expense and liability associated with the defined benefit pension plans requires the use of assumptions, which include the discount rate and rate of future compensation increases as determined by CSSEL. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by CSSEL may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The discount rate used in determining the benefit obligation is based upon either high quality corporate bond rates or government bonds. In estimating the discount rate, CSSEL takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments.

### Taxes

### Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSi group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

### Deferred tax valuation

Deferred tax assets ('DTA') and deferred tax liabilities ('DTL') are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the statement of financial position date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised and is a corresponding deferred tax assets established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the Bank (primarily arising from the financial crisis that started in late 2008 and thereafter). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

### Share-based payments

The CSi group uses the liability method to account for its share-based payment plans, which requires the CSi group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

### Transfer Pricing

Tax transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well as tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required.

## 4. Segmental Analysis

The Bank has concluded that there are three reportable segments that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when assessing the performance and allocation of resources. These segments are based on products and services offered by CSi group:

| | |
|---|---|
| Fixed Income: | The fixed income division (FID) operates in rates, foreign exchange, credit, structured products trading, emerging markets, and commodities markets. The operations also include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination, CMBS and Commodities. The product suite covers both cash and OTC derivatives including government bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps, and listed options across product classes. |
| Equities: | The activities of the equities division include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities. |
| Investment banking: | The investment banking division (IBD) service offering includes mergers and acquisitions, debt, equity and other capital raising activities. |

Segment performance is assessed by the Board based on the Monthly Board Summary report, which details revenues by segment. CSi assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi, it does not manage the expenses at a CSi segment level.

Similarly certain revenue items are not directly allocated to the above business segments at a CSi Bank level. These items include transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi may earn revenues.

Transactions between reportable segments are held at an arm's length basis and are included in the segment result.

The following table shows the external revenue of each operating segment during the year:

| | 2013 | 2012 |
|---|---|---|
| **Revenues (USD million)** | | |
| Fixed income | 1,495 | 1,825 |
| Equities | 873 | 814 |
| Investment banking | 166 | 202 |
| **Total revenues** | **2,534** | **2,841** |

The following table shows the CSi group's revenue by the region which generates the revenue:

| | 2013 | 2012 |
|---|---|---|
| **Revenues (USD million)** | | |
| EMEA[1] | 1,575 | 2,033 |
| America | 421 | 673 |
| Switzerland | - | (16) |
| Asia | 538 | 151 |
| **Total revenues** | **2,534** | **2,841** |

[1] EMEA is defined as Europe, Middle East and Africa excluding Switzerland and Luxembourg.

### CSi Group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totaling USD 1,124 million (2012: USD 1,248 million), all of which are located in EMEA.

### Reconciliation of reportable segment revenues

| | 2013 | 2012 |
|---|---|---|
| **IFRS statement of income (USD million)** | | |
| Total revenues for reportable segments | 2,534 | 2,841 |
| Revenue sharing agreements | (506) | (734) |
| Treasury funding | (448) | (662) |
| Other corporate items[1] | (159) | (277) |
| CS group to primary reporting reconciliations[2] | 148 | 134 |
| **Net Revenues** | **1,569** | **1,302** |

1 Significant items being fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness.

2 This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS. In 2013 includes the release of a USD 104 million valuation adjustment in relation to trades where the CSi group is a market maker following the adoption of IFRS 13 (Note 2- Significant accounting policy).

The CSi group is not reliant on any single customer for its revenue generation.

## 5. Net Interest Expense

| Group | 2013 | 2012 |
|---|---|---|
| **Net interest expense (USD million)** | | |
| Other loans and receivables | 450 | 572 |
| Securities purchased under resale agreements and securities borrowing transactions | 121 | 162 |
| Cash collateral paid on OTC derivatives transactions | 66 | 142 |
| Interest income on cash, cash equivalents and loans | 133 | 201 |
| **Interest income** | **770** | **1,077** |
| Deposits | (11) | (4) |
| Short term borrowings | (274) | (426) |
| Securities sold under repurchase agreements and securities lending transactions | (81) | (88) |
| Long term debt | (406) | (585) |
| Cash collateral received on OTC derivatives transactions | (77) | (145) |
| **Interest expense** | **(849)** | **(1,248)** |
| **Net interest expense** | **(79)** | **(171)** |

Interest income accrued on impaired financial assets during the year was USD 0.08 million (2012: USD 5 million).

## 6. Commissions and Fees Income

| Group | 2013 | 2012 |
|---|---|---|
| **Commission and fees income (USD million)** | | |
| Lending business | 193 | 173 |
| Other customer services | (138) | (171) |
| **Net commission and fee income** | **55** | **2** |
| | | |
| Total commission and fee income | 193 | 173 |
| Total commission and fee expense | (138) | (171) |
| **Net commission and fee income** | **55** | **2** |

## 7. Release of provision for Credit Losses

| Group | 2013 | 2012 |
|---|---|---|
| **Release of provision for credit losses (USD million)** | | |
| Allowance for loan losses | 7 | 39 |
| Provisions for off-balance sheet exposure | - | 5 |
| **Release of provision for credit losses** | **7** | **44** |

## 8. Net Gains From Financial Assets/Liabilities At Fair Value Through Profit or Loss

| Group | 2013 | 2012 |
|---|---|---|
| **Net gains from financial assets/liabilities at fair value through profit or loss (USD million)** | | |
| Interest rate | 875 | 4,797 |
| Foreign exchange | 1,181 | (795) |
| Equity | (337) | (333) |
| Commodity | 709 | 43 |
| Credit | (330) | (1,608) |
| Other | (44) | 68 |
| **Total net gains from financial assets/liabilities at fair value through profit or loss** | **2,054** | **2,172** |

Of which:

| Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD) | 2013 | 2012 |
|---|---|---|
| Securities purchased under resale agreements and securities borrowing transactions | (65) | 12 |
| Loans | 253 | (489) |
| Other financial assets designated at fair value through profit or loss | 190 | (56) |
| Securities sold under repurchase agreements and securities lending transactions | 43 | 64 |
| Short term borrowings | 155 | (644) |
| Long term debt | (725) | (2,941) |
| Other financial liabilities designated at fair value through profit or loss | 55 | 122 |
| **Total net (losses) from financial assets/liabilities designated at fair value through profit or loss** | **(94)** | **(3,932)** |

Included in this total is USD 124 million loss (2012: USD 259 million loss) of fair value changes of financial liabilities due to changes in the CSi group's own creditworthiness (Structured Notes and Subordinated Debt, included in Long term debt and Short term borrowings above). The cumulative effect thereon is a gain of USD 18 million (2012: gain USD 141 million).

## 9. Other Revenues

| Group | 2013 | 2012 |
|---|---|---|
| **Other revenues (USD million)** | | |
| Revenue sharing agreement expense | (506) | (734) |
| Other | 38 | (11) |
| **Other revenues** | **(468)** | **(745)** |

The revenue sharing agreement expense principally relates to amounts allocated to CSi from other companies in the CS group under transfer pricing policies.

## 10. Compensation and Benefits

| Group | 2013 | 2012 |
|---|---|---|
| **Compensation and benefits (USD million)** | | |
| Salaries and variable compensation | (366) | (368) |
| Social security | (46) | (43) |
| Pensions | (13) | (22) |
| Other | (4) | (4) |
| **Compensation and benefits** | **(429)** | **(437)** |

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 31 – Related Parties. Staff costs and staff numbers do not differ between Bank and CSi group.

## 11. General and Administrative Expenses

| Group | | 2013 | 2012 |
|---|---|---|---|
| **General and administrative expenses (USD million)** | | | |
| Occupancy expenses | | (11) | (3) |
| Amortisation expenses | 23 | (174) | (149) |
| Depreciation expenses | 22 | (66) | (69) |
| Depreciation for real estate | 18 | (11) | (7) |
| Impairment of investment property | | (51) | (14) |
| Litigation | 26 | 2 | (1) |
| Brokerage charges and clearing house fees | | (319) | (298) |
| Auditor's remuneration | | (2) | (3) |
| Professional services | | (36) | (24) |
| Impairment of intangible assets | 23 | (15) | (2) |
| CSG trademark | | (17) | (21) |

| | | |
|---|---|---|
| Net overheads allocated from other CS group entities | (385) | (532) |
| UK bank levy | (57) | (38) |
| Marketing data , publicity and subscription | (18) | (21) |
| Non income taxes | (16) | (15) |
| Other | (23) | (27) |
| **General and administrative expenses** | **(1,199)** | **(1,224)** |

The expenses incurred by other CS group company under common control are recharged to CSi group through 'Net overheads allocated from other CS group entities'. The recharges comprise of compensation and benefit expenses and general administrative expenses.

**Auditor's remuneration**

Auditor's remuneration in relation to the statutory audit amounted to USD 2.2 million (2012: USD 2.9 million). The following fees were payable by the CSi group to the auditor, KPMG Audit Plc.

| | **2013 USD'000** | **2012 USD'000** |
|---|---|---|
| **CSi Auditor's remuneration** | | |
| Fees payable to the Bank's auditor for the audit of the Bank's annual accounts | 1,936 | 1,894 |
| Fees payable to the CSi group's auditor and its associates for other services: | | |
| Audit-related assurance services | 289 | 127 |
| Other assurance services | 41 | 970 |
| **Total** | **2,266** | **2,991** |

## 12. Income Tax

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Current and deferred taxes (USD million)** | | | | |
| **Current tax** | | | | |
| Current expense on profits | (2) | (3) | (2) | (3) |
| Adjustments in respect of previous periods | - | 13 | - | 13 |
| Adjustments in respect of APA | - | 10 | - | 10 |
| **Current income tax benefit** | **(2)** | **20** | **(2)** | **20** |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | 73 | 101 | 73 | 101 |
| Current year tax losses | (51) | (18) | (51) | (18) |
| Impairment of deferred tax asset | (319) | - | (319) | - |
| Adjustments in respect of APA | - | (335) | | (335) |
| Adjustments in respect of previous periods | 6 | (2) | 6 | (2) |
| Effect of changes in tax rate or the imposition of new taxes | (187) | (139) | (187) | (139) |
| **Deferred income tax expense** | **(478)** | **(393)** | **(478)** | **(393)** |
| **Income tax expense** | **(480)** | **(373)** | **(480)** | **(373)** |

The UK corporation tax rate reduced from 24% to 23% with effect from 1 April 2013. Furthermore, the UK corporation tax rate will reduce from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015.

Further information about deferred income tax is presented in Note 13 – Deferred Taxes. The income tax expense for the year can be reconciled to the loss per the statement of income as follows:

### Reconciliation of taxes computed at the UK statutory rate

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Reconciliation of taxes computed at the UK statutory rate (USD million)** | | | | |
| Loss before tax | (59) | (359) | (57) | (319) |
| Income tax expense computed at the statutory rate of 23.25% (2012: 24.5%) | 14 | 88 | 14 | 79 |
| Increase/(decrease) in income taxes resulting from: | | | | |
| Other permanent differences | 8 | (5) | 8 | 4 |
| Effect of different tax rates of operations/subsidiaries operating in other jurisdictions | (2) | (3) | (2) | (3) |
| Adjustments to current tax in respect of previous periods | - | 13 | - | 13 |
| Impairment of deferred tax asset | (319) | - | (319) | - |
| Adjustments in respect of APA | - | (325) | | (325) |
| Adjustments to deferred tax in respect of previous periods | 6 | (2) | 6 | (2) |
| Effect on deferred tax resulting from changes to tax rates | (187) | (139) | (187) | (139) |
| **Income tax expense** | **(480)** | **(373)** | **(480)** | **(373)** |

## 13. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20% (2012: 23%)

On 21 March 2012 the UK Government announced that the UK corporation tax rate applicable from 1 April 2013 would be 23%. This was substantively enacted on 3 July 2012.

The Finance Act 2013, which passed into law on 17 July 2013, included further rate reductions in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect 1 April 2015.

The changes in the UK corporation tax rate from 23% to 21% and from 21% to 20% has resulted in a reduction of the CSi's group net deferred tax asset as at 31 December 2013 of USD 187 million.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Deferred tax (USD million)** | | | | |
| Deferred tax assets | 973 | 1,450 | 973 | 1,450 |
| **Net position** | **973** | **1,450** | **973** | **1,450** |
| | | | | |
| Balance at 1 January | 1,450 | 1,843 | 1,450 | 1,843 |
| Transfers | - | - | - | - |
| (Expense)/credit to income for the year | (290) | (254) | (290) | (254) |
| Effect of change in tax rate expensed to income statement | (187) | (139) | (187) | (139) |
| **At end of the year** | **973** | **1,450** | **973** | **1,450** |

### Deferred tax assets

Deferred tax assets and liabilities are attributable to the following items:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Components of net deferred tax assets (USD million)** | | | | |
| Derivative financial instruments | 7 | 12 | 7 | 12 |
| Share-based compensation | 29 | 24 | 29 | 24 |
| Decelerated tax depreciation | 134 | 139 | 134 | 139 |
| Other provisions | 70 | 80 | 70 | 80 |
| Unpaid interest | 348 | 345 | 348 | 345 |
| Deferred tax impact on losses carried forward | 385 | 850 | 385 | 850 |
| **At end of the year** | **973** | **1,450** | **973** | **1,450** |

### Details of the tax effect of temporary differences

The deferred tax expense in the Statement of Income comprises the following temporary differences:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Tax effect of temporary differences (USD million)** | | | | |
| Derivative financial instruments | (5) | (6) | (5) | (6) |
| Share-based compensation | 6 | (1) | 6 | (1) |
| Decelerated tax depreciation | (5) | (6) | (5) | (6) |
| Other provisions | (10) | (13) | (10) | (13) |
| Unpaid interest | 3 | 30 | 3 | 30 |
| Deferred tax impact on losses carried forward | (467) | (397) | (467) | (397) |
| **Total deferred tax (expense)/benefit in the statement of income** | **(478)** | **(393)** | **(478)** | **(393)** |

Deferred tax assets ('DTA') and liabilities are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether DTA can be realised and if not make an impairment.

In evaluating whether DTA can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the bank (primarily arising from the financial crisis that started in late 2008 and thereafter). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of DTA that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, it was considered that the DTA should be impaired by USD 319 million. The Bank's assessment is that remaining recognised trading losses carried forward should be utilised within a period of 4 years. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

## 14. Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Securities borrowed or purchased under agreement to resell (USD million)** | | |
| Securities purchased under resale agreements | 19,730 | 19,966 |
| Deposits paid for securities borrowed | 1,968 | 4,137 |
| **Total securities borrowed or purchased under agreement to resell** | **21,698** | **24,103** |

The following table summarise the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Securities lent or sold under agreement to repurchase (USD million)** | | |
| Securities sold under repurchase agreements | 3,077 | 2,220 |
| Deposits received for securities lent | 1,959 | 2,654 |
| **Total securities lent or sold under agreement to repurchase** | **5,036** | **4,874** |

Securities borrowed, lent and subject to resale and repurchase agreements are mainly due within one year.

Repurchase and reverse repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The CSi group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the CSi group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSi group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSi group monitors the market value of securities borrowed and securities on a daily basis and additional collateral is obtained as necessary.

## 15. Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss

| | Group | | Bank | |
|---|---|---|---|---|
| **Trading financial assets at fair value through profit or loss (USD million)** | **2013** | **2012** | **2013** | **2012** |
| Debt securities | 31,046 | 34,896 | 30,907 | 34,796 |
| Equity securities | 12,060 | 14,558 | 11,307 | 13,715 |
| Derivative instrument | 348,292 | 500,362 | 348,684 | 500,717 |
| Other | 2,559 | 1,647 | 3,074 | 2,204 |
| **Trading financial assets at fair value through profit or loss** | **393,957** | **551,463** | **393,972** | **551,432** |

| | Group | | Bank | |
|---|---|---|---|---|
| **Trading financial liabilities at fair value through profit or loss (USD million)** | **2013** | **2012** | **2013** | **2012** |
| Short positions | 8,439 | 11,472 | 8,439 | 11,472 |
| Derivative instruments | 357,643 | 508,395 | 357,955 | 508,541 |
| Other | 16 | - | 16 | - |
| **Trading financial liabilities at fair value through profit or loss** | **366,098** | **519,867** | **366,410** | **520,013** |

Debt instruments primarily consist of corporate bonds and government securities.
Trading financial assets include USD 23 billion (2012: USD 32.6 billion) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings.

## 16. Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

| | Group | | Bank | |
|---|---|---|---|---|
| **Financial assets designated at fair value through profit or loss (USD million)** | **2013** | **2012** | **2013** | **2012** |
| Debt securities | - | 80 | - | 80 |
| Loans | 10,493 | 10,447 | 10,493 | 10,447 |
| Securities purchased under resale agreements and securities borrowing transactions | 7,597 | 5,283 | 7,597 | 5,283 |
| Other | 2,474 | 4,318 | 2,474 | 4,318 |
| **Total financial assets designated at fair value through profit or loss** | **20,564** | **20,128** | **20,564** | **20,128** |

Of the financial assets designated at fair value through profit or loss, loans and reverse repurchase agreements were elected to alleviate an accounting mismatch while debt instruments were elected because they are managed on a fair value basis.

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2013 was USD 10.5 billion (2012: USD 10.5 billion). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 2.3 billion (2012: USD 1.5 billion) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2013, this fair value movement was a decrease of USD 91 million (2012: increase USD 655 million). The cumulative effect thereon at the year-end was a decrease of USD 1.19 billion (2012: decrease USD 1.1 billion). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was USD 26 million (2012: increase USD 84 million). The cumulative effect thereon at the year-end was an increase of USD 2.17 billion (2012: increase USD 2.2 billion).

For securities purchased under resale agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to its counterparties. Also, given that the credit exposure is almost eliminated, the fair value changes attributable to credit risk is insignificant.

The debt instruments measured at fair value through profit or loss are government securities.

| Financial liabilities designated at fair value through profit or loss (USD million) | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Subordinated debt | 315 | 296 | 315 | 296 |
| Structured notes (included in Long term debt and Short term borrowings) | 21,995 | 18,158 | 21,061 | 18,133 |
| Deposits | - | 4,611 | - | 4,785 |
| Securities sold under repurchase agreements and securities lending transactions | 8,239 | 10,773 | 8,239 | 10,773 |
| Other | 1,280 | 2,806 | 1,280 | 1,810 |
| **Total financial liabilities designated at fair value through profit or loss** | **31,829** | **36,644** | **30,895** | **35,797** |

Of the other financial liabilities designated at fair value through profit or loss, subordinated debt, bonds and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes and deposits were mainly elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSi group would issue similar instruments as of the reporting date.

The fair value of subordinated debt and structured notes is calculated using a yield curve which reflects the CSi group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSi group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

The carrying amount is USD 0.4 billion higher than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2012: USD 0.5 billion higher).

## 17. Other Loans and Receivables

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

| Loans (USD million) | Group 2013 | Group 2012 | Bank 2013 | Bank 2012 |
|---|---|---|---|---|
| Real estate | - | 16 | - | 16 |
| Commercial and industrial loans | 452 | 1,069 | 452 | 1,073 |
| Financial institutions | 4,041 | 12,461 | 4,041 | 12,461 |
| **Gross loans** | **4,493** | **13,546** | **4,493** | **13,550** |
| ■ of which domestic | 3,045 | 12,053 | 3,045 | 12,053 |
| ■ of which foreign | 1,448 | 1,493 | 1,448 | 1,497 |
| Net unearned income | (12) | (19) | (12) | (19) |
| Allowance for loan losses | (11) | (18) | (11) | (18) |
| **Net loans** | **4,470** | **13,509** | **4,470** | **13,513** |
| **Gross impaired loans** | **-** | **37** | **-** | **37** |
| ■ of which loans with an individual allowance | - | 2 | - | 2 |
| ■ of which loans without an individual allowance | - | 35 | - | 35 |

Other loans and receivables due within one year for the CSi group and Bank, amount to USD 3,183 million (2012: USD 557 million).

### Reconciliation of the allowance for loan losses by class

The following table sets forth the movements in the allowances for impairment losses on other loans and receivables:

| Group | Banks | Customers | Total |
|---|---|---|---|
| **Allowance for loan losses (USD million)** | | | |
| Balance at 1 January 2013 | (6) | (12) | (18) |
| ▪ Additional allowances for impairment losses | (5) | (2) | (7) |
| ▪ Reversal of allowances for impairment losses | 3 | 12 | 15 |
| Movement recognised in Consolidated Statement of Income | (2) | 10 | 8 |
| ▪ Net write backs | - | (1) | (1) |
| **Balance at 31 December 2013** | **(8)** | **(3)** | **(11)** |
| Balance at 1 January 2012 | (7) | (52) | (59) |
| ▪ Additional allowances for impairment losses | (2) | (14) | (16) |
| ▪ Reversal of allowances for impairment losses | 3 | 52 | 55 |
| Movement recognised in Consolidated Statement of Income | 1 | 38 | 39 |
| ▪ Net write backs | - | 2 | 2 |
| **Balance at 31 December 2012** | **(6)** | **(12)** | **(18)** |

| Bank | Banks | Customers | Total |
|---|---|---|---|
| **Allowance for loan losses (USD million)** | | | |
| Balance at 1 January 2013 | (6) | (12) | (18) |
| ▪ Additional allowances for impairment losses | (5) | (2) | (7) |
| ▪ Reversal of allowances for impairment losses | 3 | 12 | 15 |
| Movement recognised in Consolidated Statement of Income | (2) | 10 | 8 |
| ▪ Net write backs | - | (1) | (1) |
| **Balance at 31 December 2013** | **(8)** | **(3)** | **(11)** |
| Balance at 1 January 2012 | (7) | (54) | (61) |
| ▪ Additional allowances for impairment losses | (2) | (14) | (16) |
| ▪ Reversal of allowances for impairment losses | 3 | 52 | 55 |
| Movement recognised in Consolidated Statement of Income | 1 | 38 | 39 |
| ▪ Net write backs | - | 4 | 4 |
| **Balance at 31 December 2012** | **(6)** | **(12)** | **(18)** |

## 18. Investment Property

The CSi group consolidates a number of SPEs which hold property. Investment properties are currently held at cost less depreciation and provision for impairment. Due to a fall in indicative open market value, an impairment charge of USD 51 million (2012: USD 14 million) was taken to the Consolidated Statement of Income for the year. The fair value and carrying value amount were the same as at 31 December 2013.

| Group | 2013 | 2012 |
|---|---|---|
| **Investment property (USD million)** | | |
| Balance at the beginning of the year | 518 | 561 |
| Reclassification to real estate held-for-sale | (1) | - |
| Depreciation charge for the year | (11) | (7) |
| Impairment charge for the year | (51) | (14) |
| Foreign Currency Translation | 11 | (22) |
| **Balance at the end of year** | **466** | **518** |

## 19. Other Assets and Other Liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Other assets (USD million)** | | | | |
| Brokerage receivables (refer to Note 20) | 4,608 | 2,057 | 4,608 | 2,053 |
| Interest and fees receivable | 196 | 203 | 184 | 514 |
| **Cash collateral on derivative instruments** | | | | |
| ■ Banks | 15,342 | 24,580 | 15,342 | 24,580 |
| ■ Customers | 19,199 | 26,783 | 19,199 | 26,783 |
| Other | 193 | 337 | 193 | 338 |
| **Other assets** | **39,538** | **53,960** | **39,526** | **54,268** |

Other assets are mainly due within one year.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Other liabilities (USD million)** | | | | |
| Brokerage payables (refer to Note 20) | 1,250 | 2,570 | 1250 | 2,567 |
| Interest and fees payable | 943 | 974 | 943 | 1,299 |
| **Cash collateral on derivative instruments** | | | | |
| ■ Banks | 16,308 | 28,658 | 16,308 | 28,658 |
| ■ Customers | 12,459 | 11,718 | 12,459 | 11,718 |
| Failed sales | 69 | 259 | 69 | 259 |
| Share-based compensation liability | 147 | 103 | 144 | 109 |
| Other | 8,408 | 684 | 8,393 | 670 |
| **Other liabilities** | **39,584** | **44,966** | **39,566** | **45,280** |

## 20. Brokerage Receivables and Brokerage Payables

Brokerage receivables and payables included in the table below represent amounts due to and from banks, brokers and dealers as well as customers for varying transaction types. Included within these balances are margin accounts where cash has been deposited with an exchange, bank or broker to facilitate future transactions and where the CSi group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

The CSi group also enters into fully margined exchange traded derivatives such as futures and balance payable to or receivable from the exchange the next day are recorded in the brokerage balances. In addition the CSi group performs brokerage and clearance activities for clients where exchange fees are incurred and receivable from clients.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Brokerage receivable (USD million)** | | | | |
| Due from customers | 143 | 650 | 143 | 646 |
| Due from banks, brokers and dealers | 4,465 | 1,407 | 4,465 | 1,407 |
| **Total brokerage receivables** | **4,608** | **2,057** | **4,608** | **2,053** |
| | | | | |
| **Brokerage payable (USD million)** | | | | |
| Due to customers | 61 | 278 | 61 | 275 |
| Due to banks, brokers and dealers | 1,189 | 2,292 | 1,189 | 2,292 |
| **Total brokerage payables** | **1,250** | **2,570** | **1,250** | **2,567** |

During the current reporting period there were no defaults or breaches in respect of third party loan payables.

The CSi group and Bank held USD 158 million as at 31st December 2013 (2012: USD 391 million). This cash is recorded under 'Cash and due from banks' and the corresponding liability is included in 'Other liabilities'.

## 21. Significant Subsidiaries

### Significant subsidiaries:

| **Bank** | **2013** | **2012** |
|---|---|---|
| Investments in subsidiary undertakings (USD million) | 10 | 10 |

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2013, all of which are consolidated in these financial statements, are as follows:

| **Bank** | **Country of Incorporation** | **% Equity Held** |
|---|---|---|
| **Direct holdings:** | | |
| Credit Suisse First Boston International (USA), Inc. | United States | 100% |
| CSFB International Trading, L.L.C. | United States | 100% |

The business of all of the subsidiaries is complementary to the business of the Bank.

## 22. Property and Equipment

| **Group 2013** | **Leasehold Improvements** | **Computer Equipment** | **Office Equipment** | **Total** |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2013 | 526 | 243 | 132 | 901 |
| Additions | 5 | 35 | 2 | 42 |
| Disposals | (2) | (43) | (16) | (61) |
| **Cost as at 31 December 2013** | **529** | **235** | **118** | **882** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2013 | (351) | (188) | (97) | (636) |
| Charge for the year | (22) | (36) | (8) | (66) |
| Disposals | 2 | 42 | - | 44 |
| **Accumulated depreciation as at 31 December 2013** | **(371)** | **(182)** | **(105)** | **(658)** |
| | | | | |
| **Net book value as at 1 January 2013** | **175** | **55** | **35** | **265** |
| **Net book value as at 31 December 2013** | **158** | **53** | **13** | **224** |

| Bank<br>2013 | Leasehold Improvements | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2013 | 526 | 243 | 117 | 886 |
| Additions | 5 | 35 | 2 | 42 |
| Disposals | (2) | (43) | (1) | (46) |
| **Cost as at 31 December 2013** | **529** | **235** | **118** | **882** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2013 | (351) | (188) | (97) | (636) |
| Charge for the year | (22) | (36) | (8) | (66) |
| Disposals | 2 | 42 | - | 44 |
| **Accumulated depreciation as at 31 December 2013** | **(371)** | **(182)** | **(105)** | **(658)** |
| | | | | |
| **Net book value as at 1 January 2013** | **175** | **55** | **20** | **250** |
| **Net book value as at 31 December 2013** | **158** | **53** | **13** | **224** |

| Group<br>2012 | Leasehold Improvements | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2012 | 528 | 228 | 142 | 898 |
| Additions | 12 | 24 | 2 | 38 |
| Disposals | (14) | (9) | (12) | (35) |
| **Cost as at 31 December 2012** | **526** | **243** | **132** | **901** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2012 | (341) | (161) | (99) | (601) |
| Charge for the year | (23) | (36) | (10) | (69) |
| Disposals | 13 | 9 | 12 | 34 |
| **Accumulated depreciation as at 31 December 2012** | **(351)** | **(188)** | **(97)** | **(636)** |
| | | | | |
| **Net book value as at 1 January 2012** | **187** | **67** | **43** | **297** |
| **Net book value as at 31 December 2012** | **175** | **55** | **35** | **265** |

| Bank<br>2012 | Leasehold Improvements | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2012 | 528 | 228 | 126 | 882 |
| Additions | 12 | 24 | 3 | 39 |
| Disposals | (14) | (9) | (12) | (35) |
| **Cost as at 31 December 2012** | **526** | **243** | **117** | **886** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2012 | (341) | (161) | (99) | (601) |
| Charge for the year | (23) | (36) | (10) | (69) |
| Disposals | 13 | 9 | 12 | 34 |
| **Accumulated depreciation as at 31 December 2012** | **(351)** | **(188)** | **(97)** | **(636)** |
| | | | | |
| **Net book value as at 1 January 2012** | **187** | **67** | **27** | **281** |
| **Net book value as at 31 December 2012** | **175** | **55** | **20** | **250** |

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its fellow subsidiaries for their own activities.

No interest has been capitalised within property and equipment (2012: USD Nil).

## 23. Intangible Assets

| Group and Bank<br>2013 | Customer list[1] | Internally developed software | Total |
|---|---|---|---|
| **Intangible assets (USD million)** | | | |
| **Cost:** | | | |
| Cost as at 1 January 2013 | 5 | 1,075 | 1,080 |
| Additions | - | 164 | 164 |
| Disposals | - | (18) | (18) |
| **Cost as at 31 December 2013** | **5** | **1,221** | **1,226** |
| | | | |
| **Accumulated amortisation:** | | | |
| Accumulated amortisation as at 1 January 2013 | - | (615) | (615) |
| Amortisation for the year | (1) | (173) | (174) |
| Impairment | - | (15) | (15) |
| Disposals | - | 12 | 12 |
| **Accumulated amortisation as at 31 December 2013** | **(1)** | **(791)** | **(792)** |
| | | | |
| **Net book value as at 1 January 2013** | **5** | **460** | **465** |
| **Net book value as at 31 December 2013** | **4** | **430** | **434** |

[1] The customer list acquired in 2011 in the course of the PFS acquisition of USD 5 million has been accounted for to date as intangible assets with finite useful lives which is amortised on a straight-line basis over a period of thirteen years.

| **Group and Bank 2012** | **Customer list[1]** | **Internally developed software** | **Total** |
|---|---|---|---|
| **Intangible assets (USD million)** | | | |
| **Cost:** | | | |
| Cost as at 1 January 2012 | 5 | 872 | 877 |
| Additions | - | 209 | 209 |
| Disposals | - | (6) | (6) |
| **Cost as at 31 December 2012** | **5** | **1,075** | **1,080** |
| | | | |
| **Accumulated amortisation:** | | | |
| Accumulated amortisation as at 1 January 2012 | - | (470) | (470) |
| Amortisation for the year | - | (149) | (149) |
| Disposals | - | 4 | 4 |
| **Accumulated amortisation as at 31 December 2012** | **-** | **(615)** | **(615)** |
| | | | |
| **Net book value as at 1 January 2012** | **5** | **402** | **407** |
| **Net book value as at 31 December 2012** | **5** | **460** | **465** |

[1] The customer list acquired in 2011 in the course of the PFS acquisition of USD 5 million has been accounted for to date as intangible assets with finite useful lives which is amortised on a straight-line basis over a period of thirteen years.

## 24. Deposits

| **Group and Bank** | | |
|---|---|---|
| **Deposits (USD million)** | **2013** | **2012** |
| Non-interest bearing demand deposits | 12 | 111 |
| Interest-bearing demand deposits | 2,477 | 2,082 |
| Time deposits | 2,843 | 2,651 |
| **Total deposits** | **5,332** | **4,844** |
| Of which due to banks | 2,965 | 2,811 |
| Of which due to customers | 2,367 | 2,033 |

## 25. Short Term Borrowings

| | **Group** | | **Bank** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Short-term borrowings (USD million)** | | | | |
| Short term borrowings: | | | | |
| from banks | 15,619 | 20,690 | 15,619 | 20,690 |
| from customers | 5 | 9,028 | 5 | 9,052 |
| **Total short term borrowings** | **15,624** | **29,718** | **15,624** | **29,742** |

## 26. Provisions

| Group and Bank | Property | Litigation | Total |
|---|---|---|---|
| **Provisions (USD million)** | | | |
| Balance at 1 January 2013 | 4 | 20 | 24 |
| Charges during the year | - | (2) | (2) |
| Utilised during the year | - | (8) | (8) |
| **Balance at 31 December 2013** | **4** | **10** | **14** |

| Group and Bank | Property | Litigation | Total |
|---|---|---|---|
| **Provisions (USD million)** | | | |
| Balance at 1 January 2012 | 4 | 22 | 26 |
| Charges during the year | - | 1 | 1 |
| Utilised during the year | - | (3) | (3) |
| **Balance at 31 December 2012** | **4** | **20** | **24** |

### Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

| Building | Provision | Utilisation period |
|---|---|---|
| 17 Columbus Courtyard, London | USD 1 million | 31 December 2024 |
| 5 Canada Square, London | USD 2 million | 31 December 2027 |
| Pall Mall, London | USD 1 million | 31 March 2018 |

### Litigation provision

The CSi group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are probable and reasonably estimable. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant.

The litigation provision relates to legal cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2013.

## 27. Long Term Debt

| | Group | | Bank | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Long term debt (USD million)** | | | | |
| Senior debt | 11,730 | 22,283 | 11,741 | 22,278 |
| Subordinated debt | 9,713 | 8,371 | 9,713 | 8,371 |
| **Total long term debt** | **21,443** | **30,654** | **21,454** | **30,649** |

The increase in subordinated debt was principally as a result of the drawdown of a USD 1.1 billion Lower Tier 2 subordinated loan from Credit Suisse AG.

Total long term debt is comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the CSi group' structured activities.

## 28. Share Capital and Share Premium

### Share Capital

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **Allotted, called-up and fully paid (USD)** | | |
| Ordinary voting shares of USD 0.1 each | 13 | 13 |
| Participating non-voting shares of USD 0.1 each | 13,107,655,992 | 3,107,655,992 |
| **Total allotted, called-up and fully paid capital** | **13,107,656,005** | **3,107,656,005** |

### Share Premium

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **Share premium (USD)** | | |
| Opening balance | 12,698,984,345 | 1,016,106,287 |
| Reduction in face value of Ordinary shares | - | 112 |
| Transfer of Participating shares relating to capital restructuring | - | 3,950,611,279 |
| Transfer of Preference shares relating to capital restructuring | - | 5,235,000,000 |
| Issuance of Participating shares relating to capital restructuring | - | (581,666,666) |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | - | 2,634,488,889 |
| Issuance of Participating shares | - | 444,444,444 |
| **Closing balance** | **12,698,984,345** | **12,698,984,345** |

The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

The Participating Shares do not carry voting rights but carry the right to receive dividends. In all other respects the Participating Shares and the Ordinary Shares rank pari passu.

There was a capital injection of USD 10 billion which was in in line with Banks initiatives to align the subsidiary's capital with the Capital Requirements Regulation ('CRR'). This was through the issue of Class B participating non-voting shares of USD 0.1 each to the existing shareholders in proportion to their shareholdings.

## 29. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by Credit Suisse Securities (Europe) Limited ('CSSEL'), of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2013 the Bank expensed USD 1.2 million (2012: USD 8.3 million) in respect of its contributions to the UK defined benefit scheme.

### Profile of the pension plans

Approximately 13% of the UK plan's final salary liabilities are attributable to current employees, 71% to former employees yet to retire and 16% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 44% to current employees, 51% to former employees yet to retire and 5% to current pensioners and dependents. The UK plan duration is an indicator of the weighted-average time until benefits payments are made.

For the UK plan as a whole the duration is around 25 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 28 years), deferred members (duration of 26 years) and current pensioners (duration of 15 years).

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2013 and 2012, and the amounts included in CSSEL's consolidated financial statements for the defined benefit pension plan as at 31 December 2013 and 2012 respectively:

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **Defined benefit pension plans (USD million)** | | |
| Defined benefit obligation – 1 January | 1,508 | 1,399 |
| Current service cost | 5 | 6 |
| Interest cost | 69 | 71 |
| Actuarial losses on assumptions | 95 | 7 |
| arising out of changes in demographic assumptions | (13) | (20) |
| arising out of changes in financial assumptions | 108 | 27 |
| Actuarial (gains)/ losses – experience | (5) | (2) |
| Benefit payments | (24) | (33) |
| Past service costs (including curtailments) [1] | - | (7) |
| Exchange rate losses | 36 | 67 |
| **Defined benefit obligation – 31 December** | **1,684** | **1,508** |
| | | |
| Fair value of plan assets – 1 January | 2,159 | 1,858 |
| Expected return on plan assets | 100 | 97 |
| Actuarial gains | (31) | 54 |
| **Actual return on plan assets** | **69** | **151** |
| Employer Contributions | 9 | 92 |
| Administrative expense | (2) | (2) |
| Benefit payments | (23) | (33) |
| Exchange rate losses/(losses) | 53 | 93 |
| **Fair value of plan assets – 31 December** | **2,265** | **2,159** |

[1] Past Sevice costs contains a curtailment impacts related to the headcount reduction in 2012 in the context of the cost efficiency program as announced by management.

## Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2011 and showed a deficit of £61.2 million. The Bank and Trustee agreed that no future shortfall contributions would be paid because the shortfall contributions paid soon after the valuation date and the allowance for post-valuation experience were sufficient to recover the shortfall.

The next funding valuation is due no later than 31 December 2014 at which progress towards full-funding will be reviewed.

Contributions will be paid to cover administrative expenses, administration rebates and death in service pensions. Expected regular contributions to be paid to the UK defined benefit plan for all participating entities for the year ending 31 December 2014 is approximately USD 9 million.

## Assumptions

The assumptions used in the measurement of the defined benefit obligation and net periodic pension cost for the Credit Suisse UK pension plan as at 31 December were as follows:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Benefit obligations (%)** | | |
| Discount rate | 4.60 | 4.80 |
| Retail Price Inflation | 3.35 | 3.10 |
| Consumer Price Inflation | 2.35 | 2.40 |
| Pension increases [1] | 3.20 | 3.00 |
| Salary increases | 4.60 | 4.35 |
| **Net periodic pension cost (%)** | | |
| Discount rate | 4.80 | 4.90 |
| Salary increases | 4.35 | 4.45 |

[1] Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which were considered to be Nil.

## Mortality Assumptions

The life expectancy assumptions for 2013 are similar to those used for 2012.

The assumptions for life expectancy for the 2013 benefit obligation pursuant to IAS 19 are based on the "SAPS light" base table with improvements in mortality in line with the core CMI 2012 projections and a scaling factor of 100%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.25% p.a.

On this basis the post-retirement mortality assumptions are as follows:

| | 2013 | 2012 |
|---|---|---|
| Life expectancy at age 60 for current pensioners aged 60 (years) | | |
| ■ Males | 28.7 | 28.9 |
| ■ Females | 30.0 | 30.2 |
| Life expectancy at age 60 for future pensioners currently aged 40 (years) | | |
| ■ Males | 30.7 | 30.9 |
| ■ Females | 32.0 | 32.2 |

## Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation cost would have had the following effects:

| | Increase USDM | Increase % | Decrease USDM | Decrease % |
|---|---|---|---|---|
| **Benefit obligation** | | | | |
| One-percentage point change | | | | |
| - 1%/ +1% Discount rate | 2,140 | 27 | 1,335 | (21) |
| +1% / -1% Inflation rate | 1,979 | 18 | 1,435 | (15) |
| +1% / -1% Salary increases rate | 1,695 | 1 | 1,674 | (1) |
| +1 / -1 year to life expectancy at 60 | 1,918 | 2 | 1,651 | (2) |

The sensitivity analysis above has been derived using a number of additional full valuation runs that have been carried out using the same data as that used for calculating the 2013 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

The methodology used to calculate the sensitivities is consistent with previous years.

## Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) – lies with the board of trustees. The Company's defined benefit pension plan looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the Company, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition.

The Fund has a hedging target of around 80% of interest rate and inflation risk arising from the Economic Value of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Economic Value of the liabilities is calculated. In particular limits have been placed on the level of exposure that may be obtained from bonds and gilt total return swaps, both in terms of interest rate and inflation sensitivity.

Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification.

Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification.

Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

## Risks Associated with UK Plan

The UK plan exposes the Company to a number of risks, the most significant of which are:

### Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK plan holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK plan's long term objectives.

### Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings. The plan does hedge interest rate risk, so whilst it might be expected that the hedge increases in value if bond yields decrease, the plan is exposed to the extent that the hedge is not designed to cover 100% of the accounting defined benefit obligation and also the fact that the hedge does not mitigate decreases in credit spreads.

### Inflation Risk

A significant proportion of the UK plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit to the extent that the inflation swap does not match the increase.

### Life expectancy

The majority of the UK plans's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

| | **Defined Benefit Pension Plans UK Plans 2013** |
|---|---|
| **Estimated future benefit payments (USD million)** | |
| 2014 | 14 |
| 2015 | 16 |
| 2016 | 18 |
| 2017 | 21 |
| 2018 | 24 |
| For five years thereafter | 192 |

## Plan assets measured at fair value

| Plan assets measured at fair value (USD million) | 2013 Quoted | 2013 Unquoted | 2013 Total | 2013 % of total fair value of scheme assets | 2012 Quoted | 2012 Unquoted | 2012 Total | 2012 % of total fair value of scheme assets |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | - | 347 | 347 | 15.3 | - | 404 | 404 | 18.7 |
| Debt Securities | 1,002 | 425 | 1,427 | 63.0 | 768 | 419 | 1,187 | 55.0 |
| of which governments | 409 | 4 | 413 | 18.2 | 259 | 5 | 264 | 12.2 |
| of which corporates | 593 | 421 | 1,014 | 44.8 | 509 | 414 | 923 | 42.8 |
| Equity Securities | 192 | 2 | 194 | 8.6 | 200 | 3 | 203 | 9.4 |
| Derivatives | 1 | (26) | (25) | (1.1) | 28 | 233 | 261 | 12.1 |
| Alternative investments | 14 | 308 | 322 | 14.2 | - | 104 | 104 | 4.8 |
| of which hedge funds | - | 298 | 298 | 13.1 | - | 104 | -104 | 4.8 |
| of which other | 14 | 10 | 24 | 1.1 | - | - | - | - |
| **Total plan assets UK plans** | **1,209** | **1,056** | **2,265** | **100** | **996** | **1,163** | **2,159** | **100** |
| | | | | | | | | |
| Debt securities | 11 | - | 11 | 100 | 12 | - | 12 | 100 |
| **Total plan assets international plans** | **11** | **-** | **11** | **100** | **12** | **-** | **12** | **100** |

## Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2013 and 2012 were USD 12 million and USD 14 million respectively.

## 30. Employee Share-based Compensation and Other Compensation Benefits

Payment of share-based compensation and other compensation benefits is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Bank. It is the Bank's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to non-compete and non-solicit provisions. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2013 and 2012 was USD 127 million and USD 66 million respectively. The total stock award liability recorded as at 31 December 2013 was USD147 million (2012: USD 103 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2013 CHF 27.27 (2012: CHF 22.26). The average weighted fair value of awards granted in 2013 was CHF 26.39 (2012: CHF 22.26). The intrinsic value of vested share based awards outstanding as at year end was USD 24 million (2012: USD19 million).

The recognition of compensation expense for the deferred compensation awards granted in January 2014 began in 2014 and thus had no impact on the 2013 financial statements.

### Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related claw-back provisions. Each performance share award granted entitles the holder of award to receive one CSG share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the Phantom share awards, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative CSG ROE. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

The performance share awards granted in 2014 are identical to those granted in 2013 and 2012, with the exception of the performance criteria which, in 2012, were based on reported CSG ROE, compared to the performance share awards granted in 2014 and 2013, which are based on underlying CSG ROE.

The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the twelve business days ended January 15, 2014. The fair value of each January 2014 Performance Share award was CHF 28.13 on the grant date. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value was based on a valuation using the CSG's share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively

Movements in the number of PSA outstanding were as follows:

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **Number of units (millions)** | | |
| As at 1 January | 1.00 | - |
| Granted | 1.16 | 1.09 |
| Share transferred in/ out | 0.06 | 0.03 |
| Delivered | (0.31) | - |
| Forfeited | (0.03) | (0.12) |
| **As at 31 December** | **1.88** | **1.00** |

## Phantom Share Awards

Share awards granted in January 2014 are similar to those granted in January 2013 and are awarded to certain employees in the Bank. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ("CSG") share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of these share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, subject to continued employment with the Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a CSG share over the twelve business days ended January 15, 2014. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value of each January 2014 share award was CHF 28.13 on the grant date. The fair value was based on a valuation using the CSG's share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively.

In order to comply with regulatory requirements, the CSG awarded an alternative form of share awards as a component of unrestricted cash to certain senior employees. For 2013, 2012 and 2011, these employees received a portion of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. Blocked shares granted on January 16, 2014 vest immediately upon grant, have no future service requirements and were attributed to services performed in 2013.

Movements in the number of units outstanding were as follows:

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **Number of units (millions)** | | |
| As at 1 January | 3.05 | 2.58 |
| Granted | 2.48 | 1.75 |
| Share transferred in/ out | (0.04) | 0.07 |
| Delivered | (1.33) | (1.10) |
| Forfeited | (0.20) | (0.25) |
| **As at 31 December** | **3.96** | **3.05** |

### Plus Bond awards

Certain employees received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of London Interbank Offered Rate (LIBOR) plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of approximately USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of CSG's Investment Banking division. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into CSG shares. The Plus Bond award plan contributes to a reduction of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

Plus Bonds were fully vested and expensed as of the grant date of December 31, 2012. Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation will vest on the third anniversary of the grant date in January 17, 2016 and will be expensed over the vesting period.

Total compensation expense recognised during the year ended December 31, 2013 was USD 1 million (2012: USD 15 million).

### 2012 Restricted Cash Awards

Certain employees received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is report as part of the deferred compensation award for the Bank even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Bank granted Restricted Cash Awards.

Total compensation expense recognised during the year ended December 31, 2013 was USD 17 million (2012: Nil).

### 2011 Partner Asset Facility ('PAF2')

As part of the 2011 annual compensation process, certain employees were awarded a portion of their deferred variable compensation in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realised credit losses from a specific reference portfolio exceeds a pre-defined threshold.

CSG will bear the first USD 500 million of any losses and the PAF2 holders, across a number of CS group entities including CSi, will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.

Certain employees received PAF2 awards, which vested in the first quarter of 2012.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either CSG or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. CSG can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

In January 2012, CSG awarded PAF2 units and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012. Compensation expense will continue be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

Total compensation expense recognised during the year ended December 31, 2013 was USD 4 million (2012: USD 34 million).

In February 2014, CSG provided employees who hold outstanding PAF2 awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of one of the following options, or a combination thereof:

**Capital Opportunity Facility:** Participants elect for all or part of their PAF2 award to be referenced to a Capital Opportunity Facility (COF). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions chosen by the Partner Asset Facility management team. Participants who elect for the COF will receive distributions of 6.5% per annum until maturity;

**Contingent Capital Awards:** Participants elect to receive Contingent Capital Awards ('CCA'), with similar terms to the instruments used as part of the 2013 compensation awards. Settlement is expected to occur in early 2016, subject to regulatory approvals.

### Adjustable Performance Plan Awards ('APPA')

The Adjustable Performance Plan (APP) is a deferred compensation plan for certain employees. CSG introduced and granted APP cash awards as part of deferred compensation for 2009 (2009 APP) and 2010 (2010 APP).

The 2009 APP cash awards were fully vested and were expensed as of December 31, 2012 and were delivered in the first half of 2013.

The 2010 APP cash awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the CSG ROE.

The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported CSG ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applies for that year and is greater than the divisional adjustment. For employees in Shared Services and other support functions, all outstanding 2010 APP cash awards are linked to CSG's adjusted profit or loss and the CSG ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support.

Total compensation expense recognised for APP cash awards during the year ended December 31, 2013 was USD <1 million> (2012: USD 18 million).

In July 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Movements in the number of APP outstanding were as follows:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **APP Stock Awards (millions)** | | |
| As at 1 January | 0.81 | - |
| Granted | - | 0.81 |
| Share transferred in/out | - | - |
| Delivered | (0.54) | - |
| Forfeited | - | - |
| **As at 31 December** | **0.27** | **0.81** |

### Scaled Incentive Share Unit ('SISU')

The Scaled Incentive Share Units ("SISUs") plan is a share-based, long-term incentive plan. SISUs were granted in January 2010 as part of 2009 variable deferred compensation. SISUs are similar to ISUs (refer to Incentive Share Unit) except with four-year vesting, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The SISU base unit vests equally on each of the four anniversaries of the grant date, whereas the SISU leverage unit will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to an average of the reported CSG ROE. If the CSG average ROE over the four-year period is higher than a pre-set target established at the grant date, the number of additional shares calculated by reference to the average CSG share price increase will be adjusted positively, and if it is below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year vesting period will be determined first on the basis of the CSG share price development (share price multiplier) and then on the basis of the CSG average ROE development (ROE multiplier). CSG shares are delivered shortly after the SISU base component and SISU leverage component vest. The number of additional shares per SISU was capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5.

The fair value of the 2010 SISU base unit was CHF 50.30 and the fair value of the 2010 SISU leverage units was CHF 13.44.

Movements in the number of SISUs outstanding were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Base** | **Leverage** | **Base** | **Leverage** |
| **SISU Awards (USD million)** | | | | |
| As at 1 January | 0.60 | 0.91 | 0.92 | 1.07 |
| Granted | - | - | - | - |
| Share transferred in/out | - | 0.01 | - | - |
| Delivered | (0.29) | - | (0.32) | - |
| Forfeited | (0.01) | (0.19) | - | (0.16) |
| **As at 31 December** | **0.30** | **0.73** | **0.60** | **0.91** |

### Incentive Share Unit ('ISU')

The Incentive Share Units ("ISUs") were the main form of share-based deferred compensation for all employees from 2006 to 2009. An ISU is similar to a share, but offers additional upside depending on the development of the CSG share price, compared to predetermined targets set on the grant date. For each ISU granted, the employee will receive at least one CSG share (ISU base unit) over a three-year period vesting and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price at grant date. The ISU base unit vests equally on each of the three anniversaries of the grant date, whereas the ISU leverage units will only vest on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the CSG share price performance was below the minimum predefined target of CHF 53.71. In 2012, the ISU leverage granted for 2008 were settled with a value for each outstanding leverage unit equivalent to 0.986 CSG shares.

Movements in the number of ISUs outstanding were as follows:

| **Group and Bank** | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Base** | **Leverage** | **Base** | **Leverage** |
| **ISU Awards (millions)** | | | | |
| As at 1 January | 0.11 | 0.31 | 0.58 | 1.22 |
| Granted | - | - | - | - |
| Share transferred in/out | - | - | - | - |
| Delivered | (0.10) | (0.31) | (0.44) | (0.81) |
| Forfeited | (0.01) | 0 | (0.03) | (0.10) |
| **As at 31 December** | **-** | **-** | **0.11** | **0.31** |

### 2008 Partner Asset Facility (‘PAF’)

As part of the 2008 annual compensation process, CSG granted certain employees the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from CSG’s risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

In June 2012 and December 2011, existing PAF holders were given a voluntary election to make a value-for- value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. The new PAF awards are subject to the same contractual term, vesting period, performance criteria, settlement and other terms and conditions as the original PAF awards and constitute an additional risk transfer to employees on the expanded portfolio of assets that was removed from CSG’s risk-weighted assets, resulting in a reduction in capital usage. Compensation expense for the new PAF awards will be updated at each reporting period date to reflect any change in the underlying fair value of the expanded portfolio of reference assets in addition to the original portfolio of PAF assets until the awards are finally settled. There was no impact on compensation expense on the exchange dates.

Total compensation expense recognised during the year ended December 31, 2013 was USD 11 million (2012: USD 21 million).

### Contingent Capital Awards

Contingent Capital Awards (‘CCA’) are a new form of award granted in January 2014 as part of 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 5.33% over the six-month US dollar London Interbank Offered Rate (‘LIBOR’) until settled. Employees who received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA were awarded as deferred variable compensation to certain employees in place of share awards and will be expensed over the three-year period from the grant date.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. CSG will determine that fair value at its discretion. CSG intends to grant CCA as one of its annual deferred variable compensation awards in future years.

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

- CSG'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 CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

## 31. Related Parties

The CSi group is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The CSi group's parent company, which holds a majority of the voting rights in the undertaking, is Credit Suisse AG, which is incorporated in Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, repurchase or repurchase agreements. In addition, the ordinary, preference and participating shares are issued to CSG and subsidiaries of CSG, as outlined in Note 28 – Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

In addition to the above, liabilities due to the CS group's own defined benefit pension funds as of 31 December 2013 of USD 13 million (2012: USD 274 million) are reflected in the CSi group's Consolidated Statement of Financial Position.

## a) Related party assets and liabilities

| Group | 31 December 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Total | Parent | Fellow group companies | Total |
| **Assets (USD million)** | | | | | | |
| Cash and due from banks | 246 | 25,469 | 25,715 | 115 | 16,567 | 16,682 |
| Interest-bearing deposits with banks | - | 285 | 285 | - | 2,525 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 21,580 | 21,580 | - | 23,629 | 23,629 |
| Trading financial assets at fair value through profit or loss | - | 41,017 | 41,017 | 4,819 | 36,292 | 41,111 |
| Financial assets designated at fair value through profit or loss | - | 8,339 | 8,339 | 8 | 4,954 | 4,962 |
| Other loans and receivables | | 3,589 | 3,589 | - | 12,049 | 12,049 |
| Other assets | - | 5,726 | 5,726 | 3 | 8,227 | 8,230 |
| Current tax asset | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | - | - |
| **Total assets** | **246** | **106,005** | **106,251** | **4,945** | **104,243** | **109,188** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | | |
| Deposits | 187 | 2,223 | 2,410 | 1 | 2,243 | 2,244 |
| Securities sold under repurchase agreements and securities lending transactions | - | 5,036 | 5,036 | - | 4,874 | 4,874 |
| Trading liabilities at fair value through profit or loss | - | 41,103 | 41,103 | 2,194 | 38,713 | 40,907 |
| Financial liabilities designated at fair value through profit or loss | - | 10,114 | 10,114 | 13 | 12,790 | 12,803 |
| Short term borrowings | - | 15,623 | 15,623 | - | 29,717 | 29,717 |
| Long term debt | - | 21,316 | 21,316 | - | 30,534 | 30,534 |
| Other liabilities | - | 14,480 | 14,480 | 2 | 3,545 | 3,547 |
| Share capital | 3,606 | 2,253 | 5,859 | 855 | 2,253 | 3,108 |
| Share premium | 4,491 | 8,208 | 12,699 | 4,491 | 8,208 | 12,699 |
| **Total liabilities** | **8,284** | **120,356** | **128,640** | **7,556** | **132,877** | **140,433** |

| Bank | 31 December 2013 | | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Subsidiaries and SPEs | Total | Parent | Fellow group companies | Subsidiaries and SPEs | Total |
| **Assets (USD million)** | | | | | | | | |
| Cash and due from banks | 246 | 25,469 | - | 25,715 | 115 | 16,567 | - | 16,682 |
| Intangible assets | - | - | - | - | - | - | - | - |
| Interest-bearing deposits with banks | - | 285 | - | 285 | - | 2,525 | - | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 21,580 | - | 21,580 | - | 23,629 | - | 23,629 |
| Trading assets at fair value through profit or loss | - | 41,017 | 833 | 41,850 | 4,819 | 36,292 | 889 | 42,000 |
| Financial assets designated at fair value through profit or loss | - | 8,339 | - | 8,339 | 8 | 4,954 | - | 4,962 |
| Other loans and receivables | - | 3,589 | - | 3,589 | - | 12,049 | - | 12,049 |
| Other assets | - | 5,713 | - | 5,713 | 3 | 8,236 | 302 | 8,541 |
| Investments in subsidiary undertakings | - | - | 10 | 10 | - | - | 10 | 10 |
| Current tax assets | - | - | - | - | - | - | - | - |
| **Total assets** | **246** | **105,992** | **843** | **107,081** | **4,945** | **104,252** | **1,201** | **110,398** |
| | | | | | | | | |
| **Liabilities (USD million)** | | | | | | | | |
| Deposits | 187 | 2,223 | - | 2,410 | 1 | 2,243 | - | 2,244 |
| Securities sold under repurchase agreements and securities lending transactions | - | 5,036 | - | 4,874 | - | 4,874 | - | 4,874 |
| Trading liabilities at fair value through profit or loss | - | 41,013 | 183 | 40,982 | 2,194 | 38,713 | 75 | 40,982 |
| Financial liabilities designated at fair value through profit or loss | - | 10,114 | - | 12,803 | 13 | 12,790 | - | 12,803 |
| Short term borrowings | - | 15,623 | 52 | 29,741 | - | 29,717 | 24 | 29,741 |
| Long term debt | - | 21,316 | - | 30,534 | - | 30,534 | - | 30,534 |
| Other liabilities | - | 14,480 | - | 3,875 | 2 | 3,545 | 328 | 3,875 |
| Share capital | 3,606 | 9,501 | - | 3,108 | 855 | 2,253 | - | 3,108 |
| Share premium | 4,491 | 8,208 | - | 12,699 | 4,491 | 8,208 | - | 12,699 |
| **Total liabilities** | **8,284** | **127,514** | **235** | **141,026** | **7,556** | **132,877** | **427** | **140,860** |

## b) Related party revenues and expenses

| Group (USD million) | 31 December 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Total | Parent | Fellow group companies | Total |
| Interest income | - | 291 | 291 | - | 448 | 448 |
| Interest expense | - | (753) | (753) | - | (1,089) | (1,089) |
| **Net interest expense** | **-** | **(462)** | **(462)** | **-** | **(641)** | **(641)** |
| Commissions and fees | - | (134) | (134) | 5 | (161) | (156) |
| Revenue sharing agreements expense | - | (506) | (506) | (14) | (720) | (734) |
| Other Revenue | - | 5 | 5 | - | 5 | 5 |
| **Total non-interest revenues** | **-** | **(635)** | **(635)** | **(9)** | **(876)** | **(885)** |
| **Net operating income** | **-** | **(1,097)** | **(1,097)** | **(9)** | **(1,517)** | **(1,526)** |
| **Total operating expenses** | **-** | **(120)** | **(120)** | **-** | **(125)** | **(125)** |

## c) Remuneration

### Disclosure required by the Companies Act 2006

### Remuneration of Directors

| | 2013 USD'000 | 2012 USD'000 |
|---|---|---|
| Emoluments | 2,342 | 2,619 |
| Long term incentive schemes: | | |
| ■ Amounts paid under Deferred Cash Awards | 2,050 | 4,020 |
| ■ Amounts delivered under Shared Based Awards | 5,729 | 4,894 |
| **Total** | **10,121** | **11,533** |
| Compensation for loss of office | 702 | 4,393 |
| Bank's contributions to defined contribution | 57 | 37 |
| Bank's contributions to defined benefit | 47 | 94 |
| Bank's contributions to defined benefits lump sum | 179 | - |
| **Total** | **11,106** | **16,057** |

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 2,936,000 (2012: USD 5,073,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 3,000 (2011: USD 11,000). Additionally a contribution was made for a defined benefit lump sum of USD 179,000 (2012: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for directors in accordance with IFRS requirements for 2013 was USD 10,070,000 (2012: USD 15,915,000).

## d) Number of Directors and Benefits

| | 2013 | 2012 |
|---|---|---|
| **Number of Directors** | | |
| Retirement benefits are accruing to the following number of Directors under: | | |
| Defined contribution schemes | 3 | 2 |
| No scheme | 3 | 3 |
| Both defined contribution and defined benefit | 1 | 4 |
| | | |
| The number of Directors who exercised share options | - | - |
| | | |
| **Directors in respect of whom services were received or receivable under long term incentive schemes** | **7** | **9** |

## e) Remuneration of Key Management Personnel

| | 2013 | 2012 |
|---|---|---|
| **Remuneration of Key Management Personnel (USD' 000)** | | |
| Emoluments | 6,059 | 8,184 |
| Long term incentive schemes | 14,457 | 24,478 |
| **Total** | **20,516** | **32,662** |
| Compensation for loss of office | 541 | 5,293 |
| Bank's contributions to defined contribution | 161 | 85 |
| Bank's contributions to defined benefit | 82 | 158 |
| Bank's contributions to defined benefit Lump sum | 345 | - |
| **Total** | **21,645** | **38,198** |

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

**CSG Shares awarded to Key Management Personnel**

| | 2013 | 2012 |
|---|---|---|
| Number of shares | 579,419 | 1,011,321 |

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the Company's Act disclosures above, which are disclosed in the period in which they vest and are delivered.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSi group, directly or indirectly, including any director of the CSi group.

Key management personnel include Directors and the members the UK Investment Bank Executive Committee (2012 the EMEA (Europe, Middle East and Africa) Operating Committee).

### f) Loans and Advances to Directors and Key Management Personnel

There were no loans outstanding to or due from Directors or key management personnel of the CSi group at 31 December 2013 (2012: USD Nil).

## 32. Employees

The average number of persons employed during the year was as follows:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| Investment banking | 448 | 380 |
| Shared services | 279 | 439 |
| **Total** | **727** | **819** |

The CSi group receives a range of services from related companies, in particular from fellow subsidiary Credit Suisse Securities (Europe) Limited which is the primary Credit Suisse employing entity in the UK. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers. Staff costs and staff numbers do not differ between Bank and CSi group.

## 33. Derivatives and Hedging Activities

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

Furthermore, the Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivatives features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contract is entered into, the Bank designates the derivative as belonging to one of the following categories:

- a trading activity;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the fair value of a recognised asset or liability.

### Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as at 31 December 2013 were used for trading activities.

### Economic Hedges

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

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities; and
- credit derivatives to manage credit risk on certain loan portfolios.

The following table sets forth details of trading derivatives instruments:

| Group | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Positive replacement value** | **Negative replacement value** | **Positive replacement value** | **Negative replacement value** |
| **Trading derivatives instruments (USD million)** | | | | |
| Forwards and forward rate agreements | 1,743 | 1,792 | 1,997 | 1,960 |
| Swaps | 457,231 | 450,068 | 708,749 | 699,803 |
| Options bought and sold (OTC) | 49,872 | 50,482 | 68,235 | 68,472 |
| Options bought and sold (traded) | 276 | 69 | 183 | 100 |
| **Interest rate products** | **509,122** | **502,411** | **779,164** | **770,335** |
| Forwards and forward rate agreements | 18,892 | 18,520 | 10,144 | 10,358 |
| Swaps | 33,221 | 45,237 | 36,213 | 51,757 |
| Options bought and sold (OTC) | 13,885 | 14,319 | 9,942 | 10,447 |
| **Foreign exchange products** | **65,998** | **78,076** | **56,299** | **72,562** |
| Forwards and forward rate agreements | 2 | 1 | 2 | 1 |
| Swaps | 7,358 | 8,415 | 4,268 | 5,600 |
| Options bought and sold (OTC) | 13,035 | 13,257 | 11,910 | 12,248 |
| Options bought and sold (traded) | 17,238 | 17,204 | 13,890 | 13,651 |
| **Equity/indexed-related products** | **37,633** | **38,877** | **30,070** | **31,500** |
| Swaps | 34,540 | 34,771 | 39,345 | 38,863 |
| Options bought and sold (OTC) | 63 | 25 | 36 | 35 |
| **Credit products** | **34,603** | **34,796** | **39,381** | **38,898** |
| Forwards and forward rate agreements | 617 | 800 | 960 | 1,231 |
| Swaps | 1,831 | 1,860 | 2,015 | 1,677 |
| Options bought and sold (OTC) | 1,032 | 1,080 | 1,500 | 1,349 |
| Options bought and sold (traded) | 800 | 951 | 817 | 1,024 |
| **Other products** | **4,280** | **4,691** | **5,292** | **5,280** |
| **Trading derivative instruments** | **651,636** | **658,851** | **910,206** | **918,575** |

| Bank | 2013 | | 2012 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Trading derivatives instruments (USD million)** | | | | |
| Forwards and forward rate agreements | 1,743 | 1,792 | 1,997 | 1,960 |
| Swaps | 457,530 | 450,083 | 708,915 | 699,829 |
| Options bought and sold (OTC) | 49,872 | 50,482 | 68,235 | 68,472 |
| Options bought and sold (traded) | 276 | 69 | 183 | 100 |
| **Interest rate products** | **509,421** | **502,426** | **779,330** | **770,361** |
| Forwards and forward rate agreements | 18,891 | 18,520 | 10,144 | 10,358 |
| Swaps | 33,309 | 45,247 | 36,313 | 51,757 |
| Options bought and sold (OTC) | 13,885 | 14,319 | 9,942 | 10,447 |
| **Foreign exchange products** | **66,085** | **78,086** | **56,399** | **72,562** |
| Forwards and forward rate agreements | 2 | 1 | 2 | 1 |
| Swaps | 7,358 | 8,563 | 4,268 | 5,625 |
| Options bought and sold (OTC) | 13,035 | 13,257 | 11,910 | 12,248 |
| Options bought and sold (traded) | 17,238 | 17,204 | 13,890 | 13,651 |
| **Equity/indexed-related products** | **37,633** | **39,025** | **30,070** | **31,525** |
| Swaps | 34,540 | 34,771 | 39,345 | 38,863 |
| Options bought and sold (OTC) | 63 | 25 | 36 | 35 |
| **Credit products** | **34,603** | **34,796** | **39,381** | **38,898** |
| Forwards and forward rate agreements | 623 | 809 | 1,048 | 1,238 |
| Swaps | 1,831 | 1,860 | 2,015 | 1,676 |
| Options bought and sold (OTC) | 1,032 | 1,211 | 1,500 | 1,438 |
| Options bought and sold (traded) | 800 | 951 | 818 | 1,023 |
| **Other products** | **4,286** | **4,831** | **5,381** | **5,375** |
| **Trading derivative instruments** | **652,028** | **659,164** | **910,561** | **918,721** |

| Group | 2013 | | 2012 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Replacement values (USD million)** | | | | |
| Replacement values (trading and hedging) before netting | 651,636 | 658,851 | 910,206 | 918,575 |
| Replacement values (trading and hedging) after netting | 348,292 | 357,643 | 500,362 | 508,395 |

| Bank | 2013 | | 2012 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Replacement values (USD million)** | | | | |
| Replacement values (trading and hedging) before netting | 652,028 | 659,164 | 910,561 | 918,721 |
| Replacement values (trading and hedging) after netting | 348,684 | 357,955 | 500,717 | 508,541 |

## 34. Guarantees and Commitments

The following tables set forth details of contingent liabilities associated with guarantees and other commitments:

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| 31 December 2013 | <1 year | 1-3 years | 3-5 years | >5 years | amount | received | collateral |
| **Guarantees (USD million)** | | | | | | | |
| Credit guarantees and similar instruments | 827 | 662 | 68 | 50 | 1,608 | 552 | 1,056 |
| Performance guarantees and similar instruments | 4 | - | - | 10 | 14 | 14 | - |
| **Total guarantees** | **831** | **662** | **68** | **60** | **1,622** | **566** | **1,056** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| 31 December 2013 | <1 year | 1-3 years | 3-5 years | >5 years | amount | received | collateral |
| **Other commitments (USD million)** | | | | | | | |
| Irrevocable commitments under documentary credit | - | 20 | - | - | 20 | - | 20 |
| Loan commitments | 4,342 | 3,190 | 2,031 | 38 | 9,601 | 5,920 | 3,681 |
| Other Commitments - Commitments to purchase cash securities <1 year | 2,878 | - | - | - | 2,878 | - | 2,878 |
| **Total other commitments** | **7,220** | **3,210** | **2,031** | **38** | **12,499** | **5,920** | **6,579** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| 31 December 2012 | <1 year | 1-3 years | 3-5 years | >5 years | amount | received | collateral |
| **Guarantees (USD million)** | | | | | | | |
| Credit guarantees and similar instruments | 204 | 659 | - | - | 863 | 19 | 844 |
| Performance guarantees and similar instruments | 3 | 92 | - | - | 95 | - | 95 |
| **Total guarantees** | **207** | **751** | **-** | **-** | **958** | **19** | **939** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| 31 December 2012 | <1 year | 1-3 years | 3-5 years | >5 years | amount | received | collateral |
| **Other commitments (USD million)** | | | | | | | |
| Irrevocable commitments under documentary credit | 7 | 25 | - | - | 32 | - | 32 |
| Loan commitments | 5,732 | 4,633 | 1,516 | 19 | 11,900 | 52 | 11,848 |
| Other Commitments - Commitments to purchase cash securities <1 year | 3,262 | - | - | - | 3,262 | - | 3,262 |
| **Total other commitments** | **9,001** | **4,658** | **1,516** | **19** | **15,194** | **52** | **15,142** |

Credit guarantees are contracts that require the CSi group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSi group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Loan commitments include unused credit facilities that cannot be revoked at any time without prior notice.

Commitment to purchase cash securities represents the value of debt and equity cash security contracts which requires CSi group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

### Lease Commitments

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Operating lease commitments (USD million)** | | |
| Up to 1 year | 107 | 105 |
| From 1 year and no later than 5 years | 426 | 423 |
| From 5 years and over | 1,181 | 1,286 |
| **Future operating lease commitments** | **1,714** | **1,814** |
| Less minimum non-cancellable sublease rentals | (106) | (145) |
| **Total net future minimum operating lease commitments** | **1,608** | **1,669** |

The future operating lease commitments include service charges of USD 22 million (2012: USD 17.2 million).

The following table sets forth details of rental expenses for all operating leases:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Net rental expense (USD million)** | | |
| Minimum rentals | 106 | 100 |
| Sublease rental income | (89) | (88) |
| **Total net rental expenses** | **17** | **12** |

### Contingent Liabilities and Other Commitments

The Bank is party to various legal proceedings as part of its normal course of business. The Directors of the Bank believe that the aggregate liability, if any, resulting from these proceedings will not materially prejudice the financial position of the Bank and have been provided for where deemed necessary or in accordance with accounting policy.

In July 2013, the Directorate General for Competition of the European Commission ('DG Comp') issued a Statement of Objections ('SO') to various entities of thirteen CDS dealer banks, certain Markit entities and the International Swaps and Derivatives Association, Inc. ('ISDA') in relation to its investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities, including CSi. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. The next step in the process is for the named entities to provide written responses. In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the United States Department of Justice.

CSi is the defendant in English court litigation brought by Rosserlane Consultants Limited and Swinbrook Developments Limited (the "claimants"). The litigation relates to the forced sale by CSi in 2008 of Caspian Energy Group LP ('CEG'), the vehicle through which the claimants held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful M&A processes. The claimants allege that CEG should have been sold for at least USD 700 million. CSi will be vigorously defending the claims, which it believes are without merit. The trial is fixed to commence in October 2014.

## 35. Securitisations, Special Purpose Entities and Other Structured Transactions

### Consolidated SPEs

The CSi group is involved in the formation of Special Purpose Entities ('SPEs') primarily for the purpose of providing clients with structured investment opportunities, asset securitisation transactions and for buying or selling credit protection. The CSi group consolidates SPEs when the substance of the relationship between the CSi group and the SPE indicates that the SPE is controlled by the CSi group. Consideration is given to the CSi group's ability to control the activities of the SPE and the CSi group's exposure to the risks and benefits of the SPE.

| **Group** | **2013** | **2012** |
|---|---|---|
| **SPE exposures (USD million)** | | |
| **Consolidated SPEs** | | |
| CDO | - | - |
| Financial intermediation | 1,475 | 1,649 |
| **Total assets of consolidated SPEs (excluding those held with bank)** | **1,475** | **1,649** |

The aggregate Statement of Financial Positions at 31 December 2012 included the consolidation of China A Share Fund. CSi held 80% of the total units of the fund and the remaining 20% were held by Credit Suisse Securities (Europe) Limited. In 2012 CSi group consolidated the entire fund and the remaining equity not attributable to the CSi group is represented by noncontrolling interest for 2012.

### Non-consolidated SPEs

| **Group and Bank** | **2013** | **2012** |
|---|---|---|
| **SPE exposures (USD milion)** | | |
| **Non-consolidated SPEs**[1] | | |
| CDO | 395 | 4,146 |
| Financial intermediation | 15,805 | 24,154 |
| **Total assets of non-consolidated SPEs** | **16,200** | **28,300** |
| | | |
| **Total maximum exposure to loss of non-consolidated SPEs** | | |
| CDO | 4 | 14 |
| Financial intermediation | 2,326 | 2,510 |

[1]Certain unconsolidated SPEs have not been included in the table including SPEs structured by third parties in which the CSi group's interest is in the form of securities held in the CSi group's inventory, certain single-asset financing vehicles not sponsored by the CSi group to which the CSi group provides financing but has very little risk of loss due to over-collateralisation and guarantees, failed sales where the CSi group does not have any other holdings and other entities out of scope.

The non-consolidated SPEs table provides the carrying amounts and classification of the assets and liabilities recorded in the CSi group's Consolidated Statement of Financial Position, maximum exposure to loss and total assets of the non-consolidated SPEs.

Maximum exposure to loss represents non-consolidated SPEs that are recorded by the CSi group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated SPEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealised losses previously recorded by the CSi group in connection with guarantees or derivatives.

Non-consolidated SPE assets are related to the non-consolidated SPEs with whom the CSi group has interests. These amounts represent the assets of the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

The non-consolidated SPEs are SPEs where CSi has a continuing involvement with the SPE (including both CSi and third party sponsored) and does not have the majority of the risks and rewards of ownership.

The Bank considers all possible trigger events which could impact upon the control of consolidated and unconsolidated SPEs as set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting Policies.

The aggregate Statement of Financial Positions value (including amounts held with the Bank) in relation to Consolidated SPEs is shown below.

| Group | 2013 | 2012 |
|---|---|---|
| **Assets (USD million)** | | |
| Cash and due from banks | 163 | 137 |
| Other financial assets designated at fair value through profit or loss | - | 174 |
| Trading assets | 1,488 | 1,387 |
| Investment property | 466 | 518 |
| Current tax assets | - | - |
| Other assets | - | 4 |
| Property and equipment | - | 15 |
| **Total assets** | **2,117** | **2,235** |
| | | |
| **Liabilities (USD million)** | | |
| Deposits | 142 | 128 |
| Trading liabilities | 271 | 331 |
| Short term borrowings | 38 | - |
| Other financial liabilities designated at fair value through profit or loss | 1,664 | 1,775 |
| Other liabilities | - | 11 |
| Share capital | 2 | (32) |
| Subsidiaries acquired in the year | - | 22 |
| **Total liabilities** | **2,117** | **2,235** |

## 36. Financial Instruments

The disclosure of the CSi group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit);
- Fair value of financial instruments not carried at fair value.

### Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

## Financial assets and liabilities by categories

| 31 December 2013 | | | Carrying value | | | Total fair value |
|---|---|---|---|---|---|---|
| **Group (USD million)** | **Total carrying value** | **Held for trading** | **Designated at fair value** | **Loans and receivables** | **Other amortised cost** | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 27,280 | - | - | - | 27,280 | 27,280 |
| Interest-bearing deposits with banks | 285 | - | - | - | 285 | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | 21,698 | - | - | - | 21,698 | 21,698 |
| Trading financial assets at fair value through profit or loss | 393,957 | 393,957 | - | - | - | 393,957 |
| Financial assets designated at fair value through profit or loss | 20,564 | - | 20,564 | - | - | 20,564 |
| Other loans and receivables | 4,470 | - | - | 4,470 | - | 4,450 |
| Other investments | 34 | - | - | - | 34 | 34 |
| Other assets | 39,538 | - | - | - | 39,538 | 39,538 |
| **Total financial assets** | **507,826** | **393,957** | **20,564** | **4,470** | **88,835** | **507,806** |
| **Financial liabilities** | | | | | | |
| Deposits | 5,332 | - | - | - | 5,332 | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | 5,036 | - | - | - | 5,036 | 5,036 |
| Trading financial liabilities at fair value through profit or loss | 366,098 | 366,098 | - | - | - | 366,098 |
| Financial liabilities designated at fair value through profit or loss | 31,829 | - | 31,829 | - | - | 31,829 |
| Short term borrowings | 15,624 | - | - | - | 15,624 | 15,624 |
| Other liabilities | 39,584 | - | - | - | 39,584 | 39,584 |
| Long term debt | 21,443 | - | - | - | 21,443 | 21,395 |
| **Total financial liabilities** | **484,946** | **366,098** | **31,829** | **-** | **87,019** | **484,898** |

## Financial assets and liabilities by categories

| 31 December 2013 | | | Carrying value | | | Total fair value |
|---|---|---|---|---|---|---|
| **Bank (USD million)** | **Total carrying value** | **Held for trading** | **Designated at fair value** | **Loans and receivables** | **Other amortised cost** | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 27,117 | - | - | - | 27,117 | 27,117 |
| Interest-bearing deposits with banks | 285 | - | - | - | 285 | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | 21,698 | - | - | - | 21,698 | 21,698 |
| Trading financial assets at fair value through profit or loss | 393,972 | 393,972 | - | - | - | 393,972 |
| Financial assets designated at fair value through profit or loss | 20,564 | - | 20,564 | - | - | 20,564 |
| Other loans and receivables | 4,470 | - | - | 4,470 | - | 4,450 |
| Other assets | 39,526 | - | - | - | 39,526 | 39,526 |
| **Total financial assets** | **507,632** | **393,972** | **20,564** | **4,470** | **88,626** | **507,612** |
| **Financial liabilities** | | | | | | |
| Deposits | 5,332 | - | - | - | 5,332 | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | 5,036 | - | - | - | 5,036 | 5,036 |
| Trading financial liabilities at fair value through profit or loss | 366,410 | 366,410 | - | - | - | 366,410 |
| Financial liabilities designated at fair value through profit or loss | 30,895 | - | 30,895 | - | - | 30,895 |
| Short term borrowings | 15,624 | - | - | - | 15,624 | 15,624 |
| Other liabilities | 39,566 | - | - | - | 39,566 | 39,566 |
| Long term debt | 21,454 | - | - | - | 21,454 | 21,395 |
| **Total financial liabilities** | **484,317** | **366,410** | **30,895** | **-** | **87,012** | **484,258** |

## Financial assets and liabilities by categories

| 31 December 2012 | | | Carrying value | | | Total fair value |
|---|---|---|---|---|---|---|
| **Group (USD million)** | **Total carrying value** | **Held for trading** | **Designated at fair value** | **Loans and receivables** | **Other amortised cost** | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 18,690 | - | - | - | 18,690 | 18,690 |
| Interest-bearing deposits with banks | 2,525 | - | - | - | 2,525 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 24,103 | - | - | - | 24,103 | 24,103 |
| Trading financial assets at fair value through profit or loss | 551,463 | 551,463 | - | - | - | 551,463 |
| Financial assets designated at fair value through profit or loss | 20,128 | - | 20,128 | - | - | 20,128 |
| Other loans and receivables | 13,509 | - | - | 13,509 | - | 13,506 |
| Other investments | 33 | - | - | - | 33 | 33 |
| Other assets | 53,960 | - | - | - | 53,960 | 53,960 |
| **Total financial assets** | **684,411** | **551,463** | **20,128** | **13,509** | **112,820** | **684,408** |
| **Financial liabilities** | | | | | | |
| Deposits | 4,844 | - | - | - | 4,844 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 4,874 | - | - | - | 4,874 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 519,867 | 519,867 | - | - | - | 519,867 |
| Financial liabilities designated at fair value through profit or loss | 36,644 | - | 36,644 | - | - | 36,644 |
| Short term borrowings | 29,718 | - | - | - | 29,718 | 29,741 |
| Other liabilities | 44,942 | - | - | - | 44,942 | 44,942 |
| Long term debt | 30,654 | - | - | - | 30,654 | 32,177 |
| **Total financial liabilities** | **671,543** | **519,867** | **36,644** | **-** | **115,032** | **673,089** |

## Financial assets and liabilities by categories

| 31 December 2012 | | | Carrying value | | | Total fair value |
|---|---|---|---|---|---|---|
| **Bank (USD million)** | **Total carrying value** | **Held for trading** | **Designated at fair value** | **Loans and receivables** | **Other amortised cost** | |
| **Financial assets** | | | | | | |
| Cash and due from banks | 18,553 | - | - | - | 18,553 | 18,553 |
| Interest-bearing deposits with banks | 2,525 | - | - | - | 2,525 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 24,103 | - | - | - | 24,103 | 24,103 |
| Trading financial assets at fair value through profit or loss | 551,432 | 551,432 | - | - | - | 551,432 |
| Financial assets designated at fair value through profit or loss | 20,128 | - | 20,128 | - | - | 20,128 |
| Other loans and receivables | 13,513 | - | - | 13,513 | - | 13,510 |
| Other assets | 54,268 | - | - | - | 54,268 | 54,268 |
| **Total financial assets** | **684,522** | **551,432** | **20,128** | **13,513** | **99,449** | **684,519** |
| **Financial liabilities** | | | | | | |
| Deposits | 4,844 | - | - | - | 4,844 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 4,874 | - | - | - | 4,874 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 520,013 | 520,013 | - | - | - | 520,013 |
| Financial liabilities designated at fair value through profit or loss | 35,797 | - | 35,797 | - | - | 35,797 |
| Short term borrowings | 29,742 | - | - | - | 29,742 | 29,765 |
| Other liabilities | 45,256 | - | - | - | 45,256 | 45,256 |
| Long term debt | 30,649 | - | - | - | 30,649 | 32,172 |
| **Total financial liabilities** | **671,175** | **520,013** | **35,797** | **-** | **115,365** | **672,721** |

## Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSi group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO') securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swap ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSi group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSi group reflects the net exposure to credit risk for its derivative instruments where the CSi group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

As a result of adopting IFRS 13 on 1 January 2013, the CSi group changed its valuation methodology and marked positions where the CSi group is a market maker to the mid-price, resulting in a $104million credit to the income statement.

## Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSi group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that are not based on observable market date (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2013<br>Group | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **13,213** | **16,271** | **1,562** | **-** | **31,046** |
| of which foreign governments | 13,192 | 3,776 | 256 | - | 17,224 |
| of which corporates | 21 | 12,305 | 1,187 | - | 13,513 |
| of which residential mortgage backed securities | - | 190 | - | - | 190 |
| of which commercial mortgage backed securities | - | - | 119 | - | 119 |
| **Equity securities** | **9,580** | **2,349** | **131** | **-** | **12,060** |
| **Derivatives** | **5,635** | **640,898** | **5,103** | **(303,344)** | **348,292** |
| of which interest rate products | 271 | 507,292 | 1,559 | (288,579) | 220,543 |
| of which foreign exchange products | 10 | 65,508 | 480 | - | 65,998 |
| of which equity/index-related products | 5,062 | 31,047 | 1,524 | (14,700) | 22,933 |
| of which credit derivatives | - | 33,073 | 1,530 | - | 34,603 |
| of which other derivative products | 292 | 3,978 | 10 | (65) | 4,215 |
| **Other** | **-** | **1,589** | **970** | **-** | **2,559** |
| **Trading financial assets at fair value through profit or loss** | **28,428** | **661,107** | **7,766** | **(303,344)** | **393,957** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **7,445** | **152** | | **7,597** |
| **Loans** | **-** | **6,062** | **4,431** | **-** | **10,493** |
| of which commercial and industrial loans | - | 2,595 | 1,356 | - | 3,951 |
| of which loans to financial institutions | - | 3,118 | 1,978 | - | 5,096 |
| of which government and public institutions | - | 349 | 1,097 | - | 1,446 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **2,321** | **153** | **-** | **2,474** |
| of which failed purchases | - | 2,292 | 90 | - | 2,382 |
| of which other | - | 29 | 63 | - | 92 |
| **Financial assets designated at fair value through profit or loss** | **-** | **15,828** | **4,736** | **-** | **20,564** |
| **Total assets at fair value** | **28,428** | **676,935** | **12,502** | **(303,344)** | **414,521** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2013<br>Group | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **1,951** | **928** | **-** | **-** | **2,879** |
| of which UK government | 73 | - | - | - | 73 |
| of which foreign governments | 1,863 | 632 | - | - | 2,495 |
| of which corporates | 15 | 296 | - | - | 311 |
| **Equity securities** | **5,560** | **-** | **-** | | **5,560** |
| **Other securities** | **16** | **-** | **-** | **-** | **16** |
| **Derivatives** | **4,987** | **647,977** | **5,887** | **(301,208)** | **357,643** |
| of which interest rate products | 67 | 501,316 | 1,028 | (286,442) | 215,969 |
| of which foreign exchange products | 18 | 77,019 | 1,039 | - | 78,076 |
| of which equity/index-related products | 4,588 | 32,196 | 2,093 | (14,700) | 24,177 |
| of which credit derivatives | - | 33,108 | 1,688 | - | 34,796 |
| of which other derivative products | 314 | 4,338 | 39 | (66) | 4,625 |
| **Trading financial liabilities at fair value through profit or loss** | **12,514** | **648,905** | **5,887** | **(301,208)** | **366,098** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **8,110** | **129** | **-** | **8,239** |
| **Short term borrowings** | **-** | **1,591** | **218** | **-** | **1,809** |
| **Long term debt** | **-** | **15,742** | **4,759** | **-** | **20,501** |
| of which structured notes between one and two years | - | 971 | 283 | - | 1,254 |
| of which other debt instruments between one and two years | - | 194 | 28 | - | 222 |
| of which treasury debt over two years | - | 315 | - | - | 315 |
| of which structured notes over two years | - | 5,002 | 3,146 | - | 8,148 |
| of which other debt instruments over two years | | 8,342 | 1,302 | - | 9,644 |
| of which non-recourse liabilities | - | 918 | - | - | 918 |
| **Other financial liabilities designated at fair value through profit or loss** | **-** | **921** | **359** | **-** | **1,280** |
| of which failed sales | - | 914 | 333 | - | 1,247 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **26,364** | **5,465** | **-** | **31,829** |
| **Total liabilities at fair value** | **12,514** | **675,269** | **11,352** | **(301,208)** | **397,927** |
| **Net assets/liabilities at fair value** | **15,914** | **1,666** | **1,150** | **(2,136)** | **16,594** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2013<br>Bank | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **13,212** | **16,133** | **1,562** | **-** | **30,907** |
| of which foreign governments | 13,191 | 3,776 | 256 | - | 17,223 |
| of which corporates | 21 | 12,167 | 1,187 | - | 13,375 |
| of which residential mortgage backed securities | - | 190 | - | - | 190 |
| of which commercial mortgage backed securities | - | - | 119 | - | 119 |
| **Equity securities** | **9,580** | **1,643** | **84** | **-** | **11,307** |
| **Derivatives** | **5,635** | **641,290** | **5,103** | **(303,344)** | **348,684** |
| of which interest rate products | 271 | 507,592 | 1,558 | (288,579) | 220,842 |
| of which foreign exchange products | 10 | 65,595 | 480 | - | 66,085 |
| of which equity/index-related products | 5,062 | 31,046 | 1,525 | (14,700) | 22,933 |
| of which credit derivatives | - | 33,073 | 1,530 | - | 34,603 |
| of which other derivative products | 292 | 3,984 | 10 | (65) | 4,221 |
| **Other** | **-** | **1,587** | **1,487** | **-** | **3,074** |
| **Trading financial assets at fair value through profit or loss** | **28,427** | **660,653** | **8,236** | **(303,344)** | **393,972** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **7,445** | **152** | **-** | **7,597** |
| **Loans** | **-** | **6,062** | **4,431** | **-** | **10,493** |
| of which commercial and industrial loans | - | 2,595 | 1,356 | - | 3,951 |
| of which loans to financial institutions | - | 3,118 | 1,978 | - | 5,096 |
| of which government and public institutions | - | 349 | 1,097 | - | 1,446 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **2,321** | **153** | **-** | **2,474** |
| of which failed purchases | - | 2,292 | 90 | - | 2,382 |
| of which other | - | 29 | 63 | - | 92 |
| **Financial assets designated at fair value through profit or loss** | **-** | **15,828** | **4,736** | **-** | **20,564** |
| **Total assets at fair value** | **28,427** | **676,481** | **12,972** | **(303,344)** | **414,536** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2013<br>Bank | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **2,501** | **998** | **-** | **-** | **3,499** |
| of which UK government | 73 | - | - | - | 73 |
| of which foreign governments | 1,863 | 631 | - | - | 2,494 |
| of which corporates | 565 | 367 | - | - | 932 |
| **Equity securities** | **4,940** | **-** | **-** | **-** | **4,940** |
| **Other securities** | **16** | **-** | **-** | **-** | **16** |
| **Derivatives** | **4,987** | **648,215** | **5,962** | **(301,209)** | **357,955** |
| of which interest rate products | 67 | 501,331 | 1,028 | (286,509) | 215,917 |
| of which foreign exchange products | 18 | 77,029 | 1,039 | - | 78,086 |
| of which equity/index-related products | 4,588 | 32,269 | 2,168 | (14,700) | 24,325 |
| of which credit derivatives | - | 33,108 | 1,688 | - | 34,796 |
| of which other derivative products | 314 | 4,478 | 39 | - | 4,831 |
| **Trading financial liabilities at fair value through profit or loss** | **12,444** | **649,213** | **5,962** | **(301,209)** | **366,410** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **8,110** | **129** | **-** | **8,239** |
| **Short term borrowings** | **-** | **1,553** | **218** | - | **1,771** |
| **Long term debt** | **-** | **14,806** | **4,799** | - | **19,605** |
| of which structured notes between one and two years | - | 971 | 283 | - | 1,254 |
| of which other debt instruments between one and two years | - | 194 | 28 | - | 222 |
| of which treasury debt over two years | - | 315 | - | - | 315 |
| of which structured notes over two years | - | 4,984 | 3,186 | - | 8,170 |
| of which other debt instruments over two years | - | 8,342 | 1,302 | - | 9,644 |
| **Other financial liabilities designated at fair value through profit or loss** | **-** | **921** | **359** | **-** | **1,280** |
| of which failed sales | - | 914 | 333 | - | 1,247 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **25,390** | **5,505** | **-** | **30,895** |
| **Total liabilities at fair value** | **12,444** | **674,603** | **11,467** | **(301,209)** | **397,305** |
| **Net assets/liabilities at fair value** | **15,983** | **1,878** | **1,505** | **(2,135)** | **17,231** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2012<br>Group | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **10,519** | **21,683** | **2,694** | **-** | **34,896** |
| of which foreign governments | 10,519 | 7,558 | 90 | - | 18,167 |
| of which corporates | - | 13,891 | 2,278 | - | 16,169 |
| of which residential mortgage backed securities | - | 234 | - | - | 234 |
| of which commercial mortgage backed securities | - | - | 321 | - | 321 |
| of which collateralised debt obligations | - | - | 5 | - | 5 |
| **Equity securities** | **11,391** | **3,136** | **31** | **-** | **14,558** |
| **Derivatives** | **2,586** | **901,804** | **5,816** | **(409,844)** | **500,362** |
| of which interest rate products | 211 | 777,032 | 1,921 | (397,319) | 381,845 |
| of which foreign exchange products | - | 55,675 | 624 | - | 56,299 |
| of which equity/index-related products | 2,192 | 26,081 | 1,797 | (12,452) | 17,618 |
| of which credit derivatives | - | 37,910 | 1,471 | - | 39,381 |
| of which other derivative products | 183 | 5,106 | 3 | (73) | 5,219 |
| **Other** | - | 1,202 | 445 | - | **1,647** |
| **Trading financial assets at fair value through profit or loss** | **24,496** | **927,825** | **8,986** | **(409,844)** | **551,463** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **5,283** | **-** | **-** | **5,283** |
| **Loans** | **-** | **7,018** | **3,429** | **-** | **10,447** |
| of which commercial and industrial loans | - | 1,057 | 2,120 | - | 3,177 |
| of which loans to financial institutions | - | 3,185 | 921 | - | 4,106 |
| of which government and public institutions | - | 2,776 | 388 | - | 3,164 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **4,149** | **249** | **-** | **4,398** |
| of which failed purchases | - | 3,693 | 168 | - | 3,861 |
| of which others | - | 456 | 81 | - | 537 |
| **Financial assets designated at fair value through profit or loss** | **-** | **16,450** | **3,678** | **-** | **20,128** |
| **Total assets at fair value** | **24,496** | **944,275** | **12,664** | **(409,844)** | **571,591** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2012<br>Group | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **3,866** | **1,600** | **13** | **-** | **5,479** |
| of which UK government | 93 | - | - | - | 93 |
| of which foreign governments | 3,773 | 1,145 | - | - | 4,918 |
| of which corporates | - | 455 | 13 | - | 468 |
| **Equity securities** | **5,963** | **30** | **-** | **-** | **5,993** |
| **Derivatives** | **2,207** | **910,452** | **5,916** | **(410,180)** | **508,395** |
| of which interest rate products | 111 | 768,864 | 1,360 | (397,655) | 372,680 |
| of which foreign exchange products | - | 70,784 | 1,778 | - | 72,562 |
| of which equity/index-related products | 1,860 | 28,387 | 1,253 | (12,452) | 19,048 |
| of which credit derivatives | - | 37,427 | 1,471 | - | 38,898 |
| of which other derivative products | 236 | 4,990 | 54 | (73) | 5,207 |
| **Trading financial liabilities at fair value through profit or loss** | **12,036** | **912,082** | **5,929** | **(410,180)** | **519,867** |
| **Deposits** | **-** | **4,611** | **-** | **-** | **4,611** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **10,773** | **-** | **-** | **10,773** |
| **Short-term borrowings** | **-** | **1,167** | **196** | **-** | **1,363** |
| **Long term debt** | **-** | **13,158** | **4,868** | **-** | **18,026** |
| of which treasury debt over two years | - | 296 | - | - | 296 |
| of which structured notes over two years | - | 7,185 | 3,477 | - | 10,662 |
| of which other debt instruments over two years | - | 4,690 | 1,380 | - | 6,070 |
| of which non-recourse liabilities | - | 987 | 11 | - | 998 |
| **Other financial liabilities designated at fair value through profit or loss** | **-** | **1,651** | **220** | **-** | **1,871** |
| of which failed sales | - | 1,651 | 220 | - | 1,871 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **31,360** | **5,284** | **-** | **36,644** |
| **Total liabilities at fair value** | **12,036** | **943,442** | **11,213** | **(410,180)** | **556,511** |
| **Net assets/liabilities at fair value** | **12,460** | **833** | **1,451** | **336** | **15,080** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2012<br>Bank | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **10,519** | **21,583** | **2,694** | **-** | **34,796** |
| of which foreign governments | 10,519 | 7,558 | 90 | - | 18,167 |
| of which corporates | - | 13,791 | 2,278 | - | 16,069 |
| of which residential mortgage backed securities | - | 234 | - | - | 234 |
| of which commercial mortgage backed securities | - | - | 321 | - | 321 |
| of which collateralised debt obligations | - | - | 5 | - | 5 |
| **Equity securities** | **11,391** | **2,293** | **31** | **-** | **13,715** |
| **Derivatives** | **2,586** | **902,158** | **5,817** | **(409,844)** | **500,717** |
| of which interest rate products | 193 | 777,264 | 1,873 | (397,319) | 382,011 |
| of which foreign exchange products | - | 55,776 | 623 | - | 56,399 |
| of which equity/index-related products | 2,209 | 26,016 | 1,845 | (12,452) | 17,618 |
| of which credit derivatives | - | 37,910 | 1,471 | - | 39,381 |
| of which other derivative products | 184 | 5,192 | 5 | (73) | 5,308 |
| **Other** | **-** | **1,136** | **1,068** | **-** | **2,204** |
| **Trading financial assets at fair value through profit or loss** | **24,496** | **927,170** | **9,610** | **(409,844)** | **551,432** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **5,283** | **-** | **-** | **5,283** |
| **Loans** | **-** | **7,018** | **3,429** | **-** | **10,447** |
| of which commercial and industrial loans | - | 1,057 | 2,120 | - | 3,177 |
| of which loans to financial institutions | - | 3,185 | 921 | - | 4,106 |
| of which government and public institutions | - | 2,776 | 388 | - | 3,164 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **4,149** | **249** | **-** | **4,398** |
| of which failed purchase | - | 3,693 | 168 | - | 3,861 |
| of which others | - | 456 | 81 | - | 537 |
| **Financial assets designated at fair value through profit or loss** | **-** | **16,450** | **3,678** | **-** | **20,128** |
| **Total assets at fair value** | **24,496** | **943,620** | **13,288** | **(409,844)** | **571,560** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2012<br>Bank | Level 1 | Level 2 | Level 3 | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **3,866** | **1,495** | **13** | **-** | **5,374** |
| of which UK government | 93 | - | - | - | 93 |
| of which foreign governments | 3,773 | 1,145 | - | - | 4,918 |
| of which corporates | - | 350 | 13 | - | 363 |
| **Equity securities** | **5,961** | **137** | **-** | **-** | **6,098** |
| **Derivatives** | **2,208** | **910,598** | **5,915** | **(410,180)** | **508,541** |
| of which interest rate products | 110 | 768,892 | 1,359 | (397,655) | 372,706 |
| of which foreign exchange products | - | 70,782 | 1,780 | - | 72,562 |
| of which equity/index-related products | 1,862 | 28,661 | 1,002 | (12,452) | 19,073 |
| of which credit derivatives | - | 37,177 | 1,721 | - | 38,898 |
| of which other derivatives | 236 | 5,086 | 53 | (73) | 5,302 |
| **Trading financial liabilities at fair value through profit or loss** | **12,035** | **912,230** | **5,928** | **(410,180)** | **520,013** |
| **Deposits** | **-** | **4,785** | **-** | **-** | **4,785** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **10,773** | **-** | **-** | **10,773** |
| **Short term borrowings** | **-** | **1,167** | **196** | **-** | **1,363** |
| **Long term debt** | **-** | **11,902** | **4,858** | **-** | **16,760** |
| of which treasury debt over two years | - | - | - | - | - |
| of which structured notes over two years | - | 5,890 | 3,477 | - | 9,367 |
| of which other debt instruments over two years | - | 5,025 | 1,381 | - | 6,406 |
| of which non-recourse liabilities | - | 987 | - | - | 987 |
| **Other financial liabilities designated at fair value through profit or loss** | **-** | **1,896** | **220** | **-** | **2,116** |
| of which failed sales | - | 1,651 | 220 | - | 1,871 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **30,523** | **5,274** | **-** | **35,797** |
| **Total liabilities at fair value** | **12,035** | **942,753** | **11,202** | **(410,180)** | **555,810** |
| **Net assets/liabilities at fair value** | **12,461** | **867** | **2,086** | **336** | **15,750** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Transfers between Level 1 and Level 2

| Group and Bank (USD million) | 2013 | | 2012 | |
|---|---|---|---|---|
| **Assets** | **Transfers out of level 1 to level 2** | **Transfers to level 1 out of level 2** | **Transfers out of level 1 to level 2** | **Transfers to level 1 out of level 2** |
| Trading financial assets at fair value through profit or loss | 23 | 4,962 | 276 | 4,967 |
| **Total transfers in assets at fair value** | **23** | **4,962** | **276** | **4,967** |
| | | | | |
| **Liabilities** | | | | |
| Trading financial liabilities at fair value through profit or loss | 1 | 3,918 | 8 | 5,128 |
| **Total transfers in liabilities at fair value** | **1** | **3,918** | **8** | **5,128** |

The transfers from Level 1 to Level 2 were mainly driven by debt/equity securities where the liquidity had decreased and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The transfers from Level 2 to Level 1 are mainly driven by the transfer of exchange traded options as they moved closer to maturity and inputs become observable. All transfers were reported at the end of the reporting period.

### Movements of level 3 instruments

The following table presents a reconciliation of financial instruments categorised in level 3 of the fair value hierarchy.

### Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **2,694** | **335** | **(230)** | **1,382** | **(2,818)** | **-** | **-** | **16** | **183** | **1,562** |
| of which foreign governments | 90 | 268 | (76) | 6 | (37) | - | - | 13 | (8) | 256 |
| of which corporates | 2,278 | 67 | (154) | 1,376 | (2,534) | - | - | 3 | 151 | 1,187 |
| of which commercial mortgage backed securities | 321 | - | - | - | (239) | - | - | - | 37 | 119 |
| of which collateral debt obligations | 5 | - | - | - | (8) | - | - | - | 3 | - |
| **Equity securities** | **31** | **130** | **(5)** | **116** | **(154)** | **-** | **-** | **1** | **12** | **131** |
| **Derivatives** | **5,816** | **1,706** | **(2,573)** | **-** | **-** | **2,429** | **(2,481)** | **197** | **9** | **5,103** |
| of which interest rate products | 1,921 | 234 | (355) | - | - | 317 | (659) | 3 | 98 | 1,559 |
| of which foreign exchange products | 624 | 89 | (92) | - | - | 29 | (134) | 2 | (38) | 480 |
| of which equity/index-related products | 1,797 | 246 | (944) | - | - | 650 | (756) | 189 | 342 | 1,524 |
| of which credit derivatives | 1,471 | 1,137 | (1,134) | - | - | 1,206 | (774) | 2 | (378) | 1,530 |
| of which other derivative products | 3 | - | (48) | - | - | 227 | (158) | 1 | (15) | 10 |
| **Other** | **445** | **664** | **(126)** | **557** | **(609)** | **-** | **(69)** | **-** | **108** | **970** |
| **Trading financial assets at fair value through profit or loss** | **8,986** | **2,835** | **(2,934)** | **2,055** | **(3,581)** | **2,429** | **(2,550)** | **214** | **312** | **7,766** |
| **Securities purchased under resale agreements and securities borrowing transactions** | - | - | - | - | - | 147 | (165) | - | 170 | 152 |
| **Loans** | **3,429** | **127** | **(142)** | **332** | **(618)** | **2,168** | **(1,175)** | **(1)** | **311** | **4,431** |
| of which commercial and industrial loans | 2,120 | - | (137) | 65 | (237) | 482 | (895) | (1) | (41) | 1,356 |
| of which loans to financial institutions | 921 | - | (5) | 267 | (180) | 880 | (280) | - | 375 | 1,978 |
| of which government and public institutions | 388 | 127 | - | - | (201) | 806 | - | - | (23) | 1,097 |
| **Other financial assets designated at fair value through profit or loss** | **249** | **-** | **-** | **13** | **(33)** | **-** | **(58)** | **-** | **(18)** | **153** |
| of which failed purchases | 168 | - | - | 13 | (22) | - | (58) | - | (11) | 90 |
| of which other | 81 | - | - | - | (11) | - | - | - | (7) | 63 |
| **Financial assets designated at fair value through profit or loss** | **3,678** | **127** | **(142)** | **345** | **(651)** | **2,315** | **(1,398)** | **(1)** | **463** | **4,736** |
| **Total assets at fair value** | **12,664** | **2,962** | **(3,076)** | **2,400** | **(4,232)** | **4,744** | **(3,948)** | **213** | **775** | **12,502** |

[1]For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Balance at beginning of period** | **Transfers in** | **Transfers out** | **Purchases** | **Sales** | **Issuances** | **Settlements** | **On transfers in/out[1]** | **On all other** | **Balance at end of period** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **13** | **-** | **-** | **22** | **(34)** | **-** | **-** | **-** | **(1)** | **-** |
| of which corporates | 13 | - | - | 22 | (34) | - | - | - | (1) | - |
| **Derivatives** | **5,916** | **1,390** | **(1,440)** | **-** | **(1)** | **1,756** | **(3,042)** | **170** | **1,138** | **5,887** |
| of which interest rate products | 1,360 | 19 | (81) | - | - | 115 | (522) | 4 | 133 | 1,028 |
| of which foreign exchange products | 1,778 | 70 | (119) | - | - | 21 | (774) | (17) | 80 | 1,039 |
| of which equity/index-related products | 1,253 | 204 | (742) | - | - | 870 | (524) | 163 | 869 | 2,093 |
| of which credit derivatives | 1,471 | 1,097 | (498) | - | - | 746 | (1,211) | 20 | 63 | 1,688 |
| of which other derivative products | 54 | - | - | - | (1) | 4 | (11) | - | (7) | 39 |
| **Trading financial liabilities at fair value through profit or loss** | **5,929** | **1,390** | **(1,440)** | **22** | **(35)** | **1,756** | **(3,042)** | **170** | **1,137** | **5,887** |
| **Securities sold under repurchase agreement and securities lending transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **129** | **129** |
| **Short term borrowings** | **196** | **41** | **-** | **-** | **(57)** | **447** | **(424)** | **-** | **15** | **218** |
| **Long term debt** | **4,868** | **157** | **(30)** | **14** | **(32)** | **1,780** | **(2,580)** | **-** | **582** | **4,759** |
| of which structured notes between one and two years | - | | (11) | 4 | - | 157 | (28) | - | 161 | 283 |
| of which other debt instruments between one and two years | - | - | - | - | - | 26 | - | - | 2 | 28 |
| of which structured notes over two years | 3,477 | 149 | (16) | 9 | (21) | 1,466 | (1,904) | - | (11) | 3,146 |
| of which other debt instruments over two years | 1,380 | 8 | (3) | 1 | - | 131 | (648) | - | 433 | 1,302 |
| of which non-recourse liabilities | 11 | - | - | - | (11) | - | - | - | - | - |
| **Other financial liabilities designated at fair value through profit or loss** | **220** | **30** | **(22)** | **173** | **-** | **-** | **(4)** | **-** | **(38)** | **359** |
| of which failed sales | 220 | 27 | (19) | 147 | - | - | (4) | - | (38) | 333 |
| **Financial liabilities designated at fair value through profit or loss** | **5,284** | **228** | **(52)** | **187** | **(89)** | **2,227** | **(3,008)** | **-** | **688** | **5,465** |
| **Total liabilities at fair value** | **11,213** | **1,618** | **(1,492)** | **209** | **(124)** | **3,983** | **(6,050)** | **170** | **1,825** | **11,352** |
| **Net assets/liabilities at fair value** | **1,451** | **1,344** | **(1,584)** | **2,191** | **(4,108)** | **761** | **2,102** | **43** | **(1,050)** | **1,150** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **2,694** | **335** | **(230)** | **1,382** | **(2,818)** | **-** | **-** | **16** | **183** | **1,562** |
| of which foreign governments | 90 | 268 | (76) | 6 | (37) | - | - | 13 | (8) | 256 |
| of which corporates | 2,278 | 67 | (154) | 1,376 | (2,534) | - | - | 3 | 151 | 1,187 |
| of which commercial mortgage backed securities | 321 | - | - | - | (239) | - | - | - | 37 | 119 |
| of which collateral debt obligations | 5 | - | - | - | (8) | - | - | - | 3 | - |
| **Equity securities** | **31** | **130** | **(5)** | **69** | **(154)** | **-** | **-** | **1** | **12** | **84** |
| **Derivatives** | **5,817** | **1,706** | **(2,573)** | **-** | **-** | **2,346** | **(2,448)** | **197** | **9** | **5,103** |
| of which interest rate products | 1,873 | 234 | (355) | - | - | 364 | (659) | 3 | 98 | 1,558 |
| of which foreign exchange products | 623 | 89 | (92) | - | - | 30 | (134) | 2 | (38) | 480 |
| of which equity/index-related products | 1,845 | 246 | (944) | - | - | 571 | (724) | 189 | 342 | 1,525 |
| of which credit derivatives | 1,471 | 1,137 | (1,134) | - | - | 1,205 | (773) | 2 | (378) | 1,530 |
| of which other derivative products | 5 | - | (48) | - | - | 225 | (158) | 1 | (15) | 10 |
| **Other** | 1,068 | 664 | (126) | 556 | (714) | - | (69) | - | 108 | 1,487 |
| **Trading financial assets at fair value through profit or loss** | **9,610** | **2,835** | **(2,934)** | **2,007** | **(3,686)** | **2,395** | **(2,517)** | **214** | **312** | **8,236** |
| **Securities purchased under resale agreements and securities borrowing transactions** | - | - | - | - | - | 147 | (165) | - | 170 | 152 |
| **Loans** | **3,429** | **127** | **(142)** | **332** | **(618)** | **2,168** | **(1,175)** | **(1)** | **311** | **4,431** |
| of which commercial and industrial loans | 2,120 | - | (137) | 65 | (237) | 482 | (895) | (1) | (41) | 1,356 |
| of which loans to financial institutions | 921 | - | (5) | 267 | (180) | 880 | (280) | - | 375 | 1,978 |
| of which government and public institutions | 388 | 127 | - | - | (201) | 806 | - | - | (23) | 1,097 |
| **Other financial assets designated at fair value through profit or loss** | **249** | **-** | **-** | **13** | **(33)** | **-** | **(58)** | **-** | **(18)** | **153** |
| of which failed purchases | 168 | - | - | 13 | (22) | - | (58) | - | (11) | 90 |
| of which other | 81 | - | - | - | (11) | - | - | - | (7) | 63 |
| **Financial assets designated at fair value through profit or loss** | **3,678** | **127** | **(142)** | **345** | **(651)** | **2,315** | **(1,398)** | **(1)** | **463** | **4,736** |
| **Total assets at fair value** | **13,288** | **2,962** | **(3,076)** | **2,401** | **(4,289)** | **4,661** | **(4,480)** | **213** | **775** | **12,455** |
| **Assets at fair value excluding noncontrolling interest** | **13,288** | **2,962** | **(3,076)** | **2,352** | **(4,337)** | **4,710** | **(3,915)** | **213** | **775** | **12,972** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank** | **Balance at beginning of period** | **Transfers in** | **Transfers out** | **Purchases** | **Sales** | **Issuances** | **Settlements** | **On transfers in/out[1]** | **On all other** | **Balance at end of period** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **13** | **-** | **-** | **-** | **(12)** | **-** | **-** | **-** | **(1)** | **-** |
| of which corporates | 13 | | | | (12) | - | - | - | (1) | - |
| **Equity securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Derivatives** | **5,915** | **1,402** | **(1,448)** | **-** | **-** | **1,827** | **(3,042)** | **170** | **1,138** | **5,962** |
| of which interest rate products | 1,359 | 19 | (81) | - | - | 116 | (522) | 4 | 133 | 1,028 |
| of which foreign exchange products | 1,780 | 70 | (119) | - | - | 19 | (774) | (17) | 80 | 1,039 |
| of which equity/index-related products | 1,002 | 217 | (500) | - | - | 941 | (524) | 163 | 869 | 2,168 |
| of which credit derivatives | 1,721 | 1,096 | (748) | - | - | 747 | (1,211) | 20 | 63 | 1,688 |
| of which other derivative products | 53 | - | - | - | - | 4 | (11) | - | (7) | 39 |
| **Trading financial liabilities at fair value through profit or loss** | **5,928** | **1,402** | **(1,448)** | **-** | **(12)** | **1,827** | **(3,042)** | **170** | **1,137** | **5,962** |
| **Securities sold under repurchase agreement and securities lending transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **129** | **129** |
| **Short term borrowings** | **196** | **41** | **-** | **-** | **(57)** | **447** | **(424)** | **-** | **15** | **218** |
| **Long term debt** | **4,858** | **157** | **(30)** | **10** | **(21)** | **1,825** | **(2,582)** | **-** | **582** | **4,799** |
| of which structured notes between one and two years | - | - | (11) | - | - | 161 | (28) | - | 161 | 283 |
| of which other debt instruments  between one and two years | - | - | - | - | - | 26 | - | - | 2 | 28 |
| of which structured notes over two years | 3,477 | 149 | (16) | 9 | (21) | 1,506 | (1,904) | - | (14) | 3,186 |
| of which other debt instruments over two years | 1,381 | 8 | (3) | 1 | - | 132 | (650) | - | 433 | 1,302 |
| of which non-recourse liabilities | - | - | - | - | - | - | - | - | - | - |
| **Other financial liabilities designated at fair value through profit or loss** | **220** | **30** | **(22)** | **145** | **-** | **28** | **(4)** | **-** | **(38)** | **359** |
| of which failed sales | 220 | 30 | (22) | 119 | - | 28 | (4) | - | (38) | 333 |
| **Financial liabilities designated at fair value through profit or loss** | **5,274** | **228** | **(52)** | **155** | **(78)** | **2,300** | **(3,010)** | **-** | **688** | **5,505** |
| **Total liabilities at fair value** | **11,202** | **1,630** | **(1,500)** | **155** | **(90)** | **4,127** | **(6,052)** | **170** | **1,825** | **11,467** |
| **Net assets/liabilities at fair value** | **2,086** | **1,332** | **(1,576)** | **2,197** | **(4,247)** | **583** | **2,137** | **43** | **(1,050)** | **1,505** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

**As at December 2012**

| Group | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | Trading revenues On transfers in/out[1] | Trading revenues On all other | Balance at end of period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **6,166** | **443** | **(3,709)** | **4,174** | **(4,455)** | **-** | **-** | **57** | **18** | **2,694** |
| of which foreign governments | 380 | 1 | (89) | 172 | (331) | - | - | 8 | (51) | 90 |
| of which corporates | 5,226 | 442 | (3,592) | 3,993 | (4,042) | - | - | 52 | 199 | 2,278 |
| of which residential mortgage backed securities | - | - | (28) | - | - | - | - | (3) | 31 | - |
| of which commercial mortgage backed securities | 478 | - | - | - | - | - | - | - | (157) | 321 |
| of which collateral debt obligations | 82 | - | - | 9 | (82) | - | - | - | (4) | 5 |
| **Equity securities** | **30** | **48** | **(5)** | **21** | **(51)** | **-** | **-** | **(9)** | **(3)** | **31** |
| **Derivatives** | **8,838** | **1,256** | **(2,257)** | **-** | **-** | **859** | **(3,461)** | **19** | **562** | **5,816** |
| of which interest rate products | 2,676 | 167 | (711) | - | - | 345 | (1,038) | 42 | 440 | 1,921 |
| of which foreign exchange products | 873 | 14 | (103) | - | - | 9 | (176) | 7 | - | 624 |
| of which equity/index-related products | 3,218 | 183 | (729) | - | - | 246 | (1,166) | (73) | 118 | 1,797 |
| of which credit derivatives | 1,891 | 878 | (708) | - | - | 252 | (887) | 49 | (4) | 1,471 |
| of which other derivative products | 180 | 14 | (6) | - | - | 7 | (194) | (6) | 8 | 3 |
| **Other** | **319** | **1** | **-** | **194** | **(69)** | **-** | **(2)** | **2** | **-** | **445** |
| **Trading financial assets at fair value through profit or loss** | **15,353** | **1,748** | **(5,971)** | **4,390** | **(4,576)** | **859** | **(3,463)** | **69** | **577** | **8,986** |
| **Loans** | **4,916** | **54** | **(263)** | **296** | **(434)** | **2,242** | **(2,738)** | **-** | **(644)** | **3,429** |
| of which commercial and industrial loans | 2,936 | 54 | - | 159 | (75) | 716 | (1,857) | - | 187 | 2,120 |
| of which loans to financial institutions | 1,875 | - | (263) | 120 | (281) | 1,119 | (855) | - | (794) | 921 |
| of which government and public institutions | 105 | - | - | 17 | (78) | 407 | (26) | - | (37) | 388 |
| **Other financial assets designated at fair value through profit or loss** | **214** | **-** | **-** | **90** | **(79)** | **1** | **(47)** | **-** | **70** | **249** |
| of which failed purchases | 114 | - | - | 66 | (59) | - | - | - | 47 | 168 |
| of which others | 100 | - | - | 24 | (20) | 1 | (47) | - | 23 | 81 |
| **Financial assets designated at fair value through profit or loss** | **5,130** | **54** | **(263)** | **386** | **(513)** | **2,243** | **(2,785)** | **-** | **(574)** | **3,678** |
| **Total assets at fair value** | **20,483** | **1,802** | **(6,234)** | **4,775** | **(5,088)** | **3,102** | **(6,248)** | **69** | **3** | **12,664** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

**As at December 2012**

| Group | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | Trading revenues On transfers in/out[1] | Trading revenues On all other | Balance at end of period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **-** | **38** | **(3)** | **26** | **(280)** | **-** | **-** | **(9)** | **241** | **13** |
| of which corporates | - | 38 | (3) | 26 | (280) | - | - | (9) | 241 | 13 |
| **Equity securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Derivatives** | **8,636** | **1,422** | **(2,487)** | **-** | **-** | **818** | **(3,350)** | **75** | **802** | **5,916** |
| of which interest rate products | 1,624 | 249 | (797) | - | - | 106 | (280) | 79 | 379 | 1,360 |
| of which foreign exchange products | 3,050 | 3 | (194) | - | - | 1 | (1,113) | 26 | 5 | 1,778 |
| of which equity/index-related products | 1,724 | 177 | (776) | - | - | 667 | (460) | (90) | 11 | 1,253 |
| of which credit derivative products | 2,255 | 988 | (718) | - | - | (26) | (1,461) | 66 | 367 | 1,471 |
| of which commodity, emission, energy products | (17) | 5 | (2) | - | - | 70 | (36) | (6) | 40 | 54 |
| **Trading financial liabilities at fair value through profit or loss** | **8,636** | **1,460** | **(2,490)** | **26** | **(280)** | **818** | **(3,350)** | **66** | **1,043** | **5,929** |
| **Short term borrowings** | **121** | **7** | **(48)** | **-** | **-** | **531** | **(284)** | **(7)** | **(124)** | **196** |
| **Long term debt** | **6,528** | **214** | **(806)** | **-** | **-** | **1,351** | **(3,048)** | **(27)** | **656** | **4,868** |
| of which treasury debt over two years | - | - | - | - | - | - | - | - | - | - |
| of which structured notes over two years | 4,696 | 143 | (646) | - | - | 1,007 | (2,099) | (3) | 379 | 3,477 |
| of which other debt instruments over two years | - | - | - | - | - | 1,380 | - | - | - | 1,380 |
| of which non-recourse liabilities | 14 | - | - | - | - | - | (4) | - | 1 | 11 |
| **Other financial liabilities designated at fair value through profit or loss** | **230** | **24** | **7** | **45** | **(192)** | **-** | **(1)** | **1** | **106** | **220** |
| of which failed sales | 208 | 24 | 7 | 45 | (192) | - | - | - | 128 | 220 |
| **Financial liabilities designated at fair value through profit or loss** | **6,879** | **245** | **(847)** | **45** | **(192)** | **1,882** | **(3,333)** | **(33)** | **638** | **5,284** |
| **Total liabilities at fair value** | **15,515** | **1,705** | **(3,337)** | **71** | **(472)** | **2,700** | **(6,683)** | **33** | **1,681** | **11,213** |
| **Net assets/liabilities at fair value** | **4,968** | **97** | **(2,897)** | **4,704** | **(4,616)** | **402** | **435** | **36** | **(1,678)** | **1,451** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2012 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **6,117** | **443** | **(3,709)** | **4,223** | **(4,455)** | **-** | **-** | **57** | **18** | **2,694** |
| of which foreign governments | 380 | 1 | (89) | 172 | (331) | - | - | 8 | (51) | 90 |
| of which corporates | 5,177 | 442 | (3,592) | 4,042 | (4,042) | - | - | 52 | 199 | 2,278 |
| of which residential mortgage backed securities | - | - | (28) | - | - | - | - | (3) | 31 | - |
| of which commercial mortgage backed securities | 478 | - | - | - | - | - | - | - | (157) | 321 |
| of which collateral debt obligation | 82 | - | - | 9 | (82) | - | - | - | (4) | 5 |
| **Equity securities** | **10** | **48** | **(5)** | **41** | **(51)** | **-** | **-** | **(9)** | **(3)** | **31** |
| **Derivatives** | **8,839** | **1,257** | **(2,257)** | **-** | **-** | **859** | **(3,462)** | **19** | **562** | **5,817** |
| of which interest rate products | 2,677 | 167 | (711) | - | - | 345 | (1,087) | 42 | 440 | 1,873 |
| of which foreign exchange products | 873 | 14 | (103) | - | - | 9 | (177) | 7 | - | 623 |
| of which equity/index-related products | 3,218 | 183 | (729) | - | - | 246 | (1,118) | (73) | - | 1,845 |
| of which credit derivatives | 1,891 | 879 | (708) | - | - | 252 | (888) | 49 | 118 | 1,471 |
| of which other derivative products | 180 | 14 | (6) | - | - | 7 | (192) | (6) | (4) | 5 |
| **Other** | **941** | - | - | 195 | (69) | - | (1) | 2 | 8 | **1,068** |
| **Trading financial assets at fair value through profit or loss** | **15,907** | **1,748** | **(5,971)** | **4,459** | **(4,575)** | **859** | **(3,463)** | **69** | **577** | **9,610** |
| **Loans** | **4,916** | **54** | **(263)** | **296** | **(434)** | **2,242** | **(2,738)** | **-** | **(644)** | **3,429** |
| of which commercial and industrial loans | 2,936 | 54 | - | 159 | (75) | 716 | (1,857) | - | 187 | 2,120 |
| of which loans to financial institutions | 1,875 | - | (263) | 120 | (281) | 1,119 | (855) | - | (794) | 921 |
| of which government and public institutions | 105 | - | - | 17 | (78) | 407 | (26) | - | (37) | 388 |
| **Other financial assets designated at fair value through profit or loss** | **214** | **-** | **-** | **90** | **(79)** | **1** | **(47)** | **-** | **70** | **249** |
| of which failed purchases | 114 | - | - | 66 | (59) | - | - | - | 47 | 168 |
| of which other | 100 | - | - | 24 | (20) | 1 | (47) | - | 23 | 81 |
| **Financial assets designated at fair value through profit or loss** | **5,130** | **54** | **(263)** | **386** | **(513)** | **2,243** | **(2,785)** | **-** | **(574)** | **3,678** |
| **Total assets at fair value** | **21,037** | **1,802** | **(6,234)** | **4,845** | **(5,088)** | **3,102** | **(6,248)** | **69** | **3** | **13,288** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2012 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank** | **Balance at beginning of period** | **Transfers in** | **Transfers out** | **Purchases** | **Sales** | **Issuances** | **Settlements** | **On transfers in/out[1]** | **On all other** | **Balance at end of period** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **-** | **38** | **(3)** | **25** | **(280)** | **-** | **-** | **(9)** | **242** | **13** |
| of which corporates | - | 38 | (3) | 25 | (280) | - | - | (9) | 242 | 13 |
| **Equity securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Derivatives** | **8,636** | **1,422** | **(2,487)** | **-** | **-** | **818** | **(3,350)** | **75** | **801** | **5,915** |
| of which interest rate products | 1,624 | 249 | (797) | - | - | 106 | (280) | 79 | 378 | 1,359 |
| of which foreign exchange products | 3,050 | 3 | (194) | - | - | 1 | (1,111) | 26 | 5 | 1,780 |
| of which equity/index-related products | 1,724 | 177 | (776) | - | - | 667 | (711) | (90) | 11 | 1,002 |
| of which credit derivatives | 2,255 | 988 | (718) | - | - | (26) | (1,211) | 66 | 367 | 1,721 |
| of which other derivative products | (17) | 5 | (2) | - | - | 70 | (37) | (6) | 40 | 53 |
| **Trading financial liabilities at fair value through profit or loss** | **8,636** | **1,460** | **(2,490)** | **25** | **(280)** | **818** | **(3,350)** | **66** | **1,043** | **5,928** |
| **Short term borrowings** | **121** | **7** | **(48)** | **-** | **-** | **531** | **(284)** | **(7)** | **(124)** | **196** |
| **Long term debt** | **6,515** | **214** | **(806)** | **-** | **-** | **1,351** | **(3,043)** | **(27)** | **654** | **4,858** |
| of which structured notes over two years | 4,696 | 143 | (646) | - | - | 1,007 | (2,099) | (3) | 379 | 3,477 |
| of which other debt instruments over two years | 1,819 | 71 | (160) | - | - | 344 | (944) | (24) | 275 | 1,381 |
| **Other financial liabilities designated at fair value through profit or loss** | **230** | **24** | **7** | **44** | **(192)** | **-** | **(1)** | **1** | **107** | **220** |
| of which failed sales | 208 | 24 | 7 | 44 | (192) | - | (1) | 1 | 128 | 220 |
| **Financial liabilities designated at fair value through profit or loss** | **6,866** | **245** | **(847)** | **44** | **(192)** | **1,882** | **(3,328)** | **(33)** | **637** | **5,274** |
| **Total liabilities at fair value** | **15,502** | **1,705** | **(3,337)** | **69** | **(472)** | **2,700** | **(6,678)** | **33** | **1,680** | **11,202** |
| **Net assets/liabilities at fair value** | **5,535** | **97** | **(2,897)** | **4,776** | **(4,616)** | **402** | **430** | **36** | **(1,677)** | **2,086** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

| Group and Bank | | |
|---|---|---|
| **Trading revenues (USD million)** | **2013** | **2012** |
| **Net realised/unrealised (losses)/gains included in net revenues** | **(1,007)** | **(1,642)** |
| Whereof: | | |
| Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date | | |
| Trading financial assets at fair value through profit or loss | 473 | 15 |
| Financial assets designated at fair value through profit or loss | 297 | 130 |
| Trading financial liabilities at fair value through profit or loss | (1,055) | (635) |
| Financial liabilities at fair value through profit or loss | (491) | (685) |
| **Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date** | **(776)** | **(1,175)** |

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSi group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

### Transfers in and out of level 3

### Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 as at 31 December 2013 amounted to USD 2,835 million and USD (2,934) million, respectively. USD 1,801 million of transfers into level 3 were related to credit derivatives and loans. Transfers out of level 3 largely comprised of credit and equity derivatives.

Trading financial assets transferred into and out of level 3 in 2012 amounted to USD 1,748 million and USD 5,971 million, respectively. Approximately USD 1,256 million of transfers into level 3 were related to derivatives. Transfers out of level 3 largely comprised debt/equity securities.

### Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss transferred into and out of level 3 in 2013 amounted to USD 127 million and USD (142) million, respectively. Both these amounts of transfers were related to loans.

Financial assets designated at fair value through profit or loss transferred into and out of level 3 in 2012 amounted to USD 54 million and USD (263) million, respectively. These were primarily related to loans.

### Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 as at 31 December 2013 amounted to USD 1,390 million and USD (1,440) million, respectively. USD 1,097 million of transfers into level 3 were related to credit derivatives. Transfers out of level 3 largely comprised of equity/index related derivatives and credit derivatives.

Trading financial liabilities transferred into and out of level 3 in 2012 amounted to USD 1,460 million and USD (2,490) million, respectively. These were predominantly driven by derivative products.

### Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 as at 31 December 2013 amounted to USD 228 million and USD (52) million, respectively. These were largely related to structured notes.

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 in 2012 amounted to USD 245 million and USD (847) million, respectively. USD 143 million of transfers into level 3 and USD (646) million of transfers out of level 3 were related to structured notes over two years.

## Qualitative disclosures of valuation techniques

The CSi group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSi group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSi group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of Credit Suisse Group AG's Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSi group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments.

For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSi group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input for those classified as level 3 is mean reversion funding spread.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

### Equity securities

The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortisation, ('EBITDA') multiple, discount rate and capitalisation rate.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

The CSi group's valuation of derivatives does not include an adjustment for the cost of funding uncollateralised OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate, correlation, volatility, volatility skew, mean reversion and credit spread.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew, buyback probability and gap risk. Generally, volatility, forward skew, correlation and credit spreads are positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs default rate, loss severity and discount rate.

### Loans

The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories, include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

### Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable), funded derivatives and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the CSi group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread and price. Generally, volatility, correlation and gap risk are positively correlated.

### Other financial liabilities designated at fair value through profit or loss

### Failed sales

These liabilities represent securitisations that do not meet the criteria for sale treatment under IFRS. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the statement of financial position, but a fair value has been disclosed in the table "Financial assets and liabilities by categories". These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, gap risk, prepayment rate, correlation, recovery rate, price, volatility, volatility skew, mean reversion, discount rate, default rate and loss severity in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of basis spread and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value. Except for the significant unobservable input skew, where an increase in the significant unobservable input would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

## Quantitative information about level 3 assets and liabilities at fair value

The following tables provide the representative range of minimum and maximum values and the associated weighted average of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

**As at December 2013**

| Group (USD million, except as indicated) | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Assets at fair value** | | | | | | |
| **Debt securities** | **1,562** | | | | | |
| of which corporates | 1,187 | | | | | |
| of which | 217 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 26 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which | 321 | Discounted cash flow | Credit spread, in bp | 16 | 500 | 383 |
| of which | 565 | Market comparable | Price, in % | 0 | 136 | 98 |
| **Equity securities** | **131** | | | | | |
| of which | 105 | Vendor Price | Price, in actuals | 68 | 92 | 79 |
| **Derivatives** | **5,103** | | | | | |
| of which interest rate products | 1,559 | | | | | |
| of which | 1,351 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 77 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Credit spread, in bp | 95 | 430 | 183 |
| | | | Gap risk, in % | 0 | 0 | 0 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 208 | Discounted cash flow | Recovery rate, in % | 59 | 59 | 59 |
| of which foreign exchange products | 480 | | | | | |
| of which | 275 | Option model | Correlation, in % | (13) | 93 | 51 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| | | | Volatility, in % | 2 | 31 | 5 |
| | | | Mean reversion, in % | (3) | (1) | (2) |

| As at December 2013 | | | | | | |
|---|---|---|---|---|---|---|
| **Group (USD million, except as indicated)** | **Fair Value** | **Valuation technique** | **Unobservable input** | **Minimum value** | **Maximum value** | **Weighted average** |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 45 | Discounted cash flow | Credit spread, in bp | 150 | 5,099 | 459 |
| of which equity/index-related products | 1,524 | | | | | |
| of which | 1,063 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 25 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which credit derivatives | 1,530 | | | | | |
| of which | 1,483 | Discounted cash flow | Correlation, in % | 35 | 97 | 77 |
| | | | Credit spread, in bp | 1 | 2,052 | 91 |
| | | | Recovery rate, in % | 0 | 77 | 36 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 58 |
| **Other** | **970** | | | | | |
| of which trading loans | | | | | | |
| of which | 417 | Discounted cash flow | Credit spread, in bp | 393 | 393 | 393 |
| of which | 553 | Market comparable | Price, in % | 1 | 51 | 50 |
| **Securities purchased under resale agreements and securities borrowing transactions** | **152** | | | | | |
| of which | 152 | Option model | Funding spread, in bps | 90 | 90 | 90 |
| **Loans** | **4,431** | | | | | |
| of which commercial and industrial loans | 1,356 | | | | | |
| of which | 1,209 | Discounted cash flow | Credit spread, in bp | 95 | 1,473 | 431 |
| of which | 147 | Market comparable | Price, in % | 0 | 100 | 46 |
| of which loans to finance institutions | 1,978 | | | | | |
| of which | 362 | Vendor price | Price, in actuals | 0 | 4 | 2 |
| of which | 1,189 | Discounted cash flow | Credit spread, in bp | 98 | 733 | 377 |
| of which government and public institutions | 1,097 | | | | | |
| of which | 969 | Discounted cash flow | Credit spread, in bp | 296 | 940 | 415 |

**As at December 2013**

| Group (USD million, except as indicated) | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Liabilities at fair value (USD million)** | | | | | | |
| **Derivatives** | **5,887** | | | | | |
| of which interest rate products | 1,028 | | | | | |
| of which | 944 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 85 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| | | | Credit spread, in bp | 430 | 430 | 430 |
| | | | Gap risk, in % | 0 | 0 | 0 |
| | | | Mean reversion, in % | 5 | 5 | 5 |
| of which foreign exchange products | 1,039 | | | | | |
| of which | 946 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 53 | Discounted cash flow | Credit spread, in bp | 35 | 12,914 | 566 |
| of which equity/index-related products | 2,093 | | | | | |
| of which | 1,700 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 26 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which credit derivatives | 1,688 | | | | | |
| of which | 1,615 | Discounted cash flow | Correlation, in % | 35 | 97 | 75 |
| | | | Credit spread, in bp | 1 | 1,572 | 123 |
| | | | Recovery rate, in % | 0 | 77 | 40 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| **Securities sold under repurchase agreements and securities lending transactions** | **129** | | | | | |
| of which | 129 | Option model | Funding spread, in bps | 90 | 90 | 90 |
| **Long term debt** | **4,759** | | | | | |
| of which structured notes over two years | 3,146 | | | | | |
| of which | 1,033 | Option model | Correlation, in % | (83) | 99 | 27 |

**As at December 2013**

| Group (USD million, except as indicated) | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| | | | Volatility, in % | 2 | 122 | 21 |
| | | | Gap risk, in % | 0 | 5 | 0 |
| of which | 627 | Discounted cash flow | Credit spread, in bp | 232 | 1,201 | 508 |
| of which other debt over two years | 1,302 | | | | | |
| of which | 688 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 5 | 122 | 27 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| | | | Gap risk, in % | 0 | 5 | 0 |
| | | | Skew, in % | 79 | 152 | 118 |
| of which structured notes between one and two years | 283 | | | | | |
| of which | 283 | Option model | Correlation, in % | 4 | 96 | 51 |
| | | | Volatility, in % | 5 | 122 | 27 |
| | | | Price, in actuals | 204 | 620 | 386 |
| | | | Credit spread, in bp | 81 | 1,241 | 1,236 |

The ‘Quantitative information about level 3 assets and liabilities at fair value’ table applies to both Group and Bank, with the exception of the following adjusted line item in respect of Assets at fair value - Other (trading loan that is eliminated on consolidation from the Group table).

**As at December 2013**

| Bank | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | | |
| **Other** | **1,440** | | | | | |
| of which trading loans | | | | | | |
| of which | 887 | Discounted cash flow | Credit spread, in bp | 393 | 393 | 393 |
| | | | Capitalization rate, in % | 9 | 9 | 9 |
| of which | 553 | Market comparable | Price, in % | 1 | 51 | 50 |

## Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

### Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates collateral with a greater risk of default.

### Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. T he higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

### Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

### Prepayment rate

Prepayment rates may vary between collateral pools, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

### Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

### Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

| **Group** | **As at 31 December 2013** | | **As at 31 December 2012** | |
|---|---|---|---|---|
| | **Favourable changes** | **Unfavourable changes** | **Favourable changes** | **Unfavourable changes** |
| **Impact on net income/(loss) (USD million)** | | | | |
| Derivative assets and liabilities | 295 | (336) | 381 | (452) |
| Assets-backed securities, loans and derivatives | 61 | (56) | 121 | (112) |
| Debt and equity securities | 112 | (63) | 99 | (69) |
| Loans | 34 | (34) | 71 | (76) |
| **Total** | **502** | **(489)** | **672** | **(709)** |

| **Bank** | **As at 31 December 2013** | | **As at 31 December 2012** | |
|---|---|---|---|---|
| | **Favourable changes** | **Unfavourable changes** | **Favourable changes** | **Unfavourable changes** |
| **Impact on net income/(loss) (USD million)** | | | | |
| Derivative assets and liabilities | 295 | (336) | 381 | (452) |
| Assets-backed securities, loans and derivatives | 61 | (56) | 121 | (112) |
| Debt and equity securities | 112 | (63) | 99 | (69) |
| Loans | 57 | (57) | 99 | (104) |
| **Total** | **525** | **(512)** | **700** | **(737)** |

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table. The percentage upward and downward movement that the unobservable inputs are subjected to are based on management judgement.

Derivative assets and liabilities include primarily equity, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down. The movements varied by product and existing levels of correlation based upon management judgment. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to

10% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgment and underlying market conditions.

Asset backed securities, loans and derivatives include CMBS, ABS CDO and balance guaranteed swap positions. CMBS sensitivities are calculated by subjecting the prices of the positions to a 5% movement up and down. ABS CDO positions were subjected to sensitivities to underlying asset prices, as well as recovery rates on the underlying assets. The underlying asset prices were subjected to a range of downward movements with no movement up. Recovery rates are held at what management believes to be conservative levels and were increased by 10% resulting in favourable uncertainty. Balance guaranteed swap positions were subjected to sensitivities on prepayment speeds which were estimated based on management's assessment of fast/slow notional bands for movements up and down.

Debt and equity securities include equity fund linked products, variable funding notes and corporate and emerging market bonds. The primary parameters subjected to sensitivity analysis for equity fund linked products and variable funding notes include gap risk. Gap risk sensitivity is estimated by using limited pricing service information and valuing to the conservative side of the range of values. The parameter subjected to sensitivity for emerging market positions is price. Price sensitivity is subjected to a 100 basis point movement up and down. The parameter subjected to sensitivity for corporate debt is credit spreads and are generally subjected to a 15% movement up and down.

Loans include emerging market loans and corporate loans. For emerging market loans the parameter subjected to sensitivity analysis is credit spreads which is subjected to a 15% movement up and down. For corporate loans the parameter subjected to sensitivity analysis is the loan price which is subjected to an equal movement up and down which ranges from 5 to 10 points depending upon the position.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on an on non-recurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The CSi group typically uses non-financial assets measured at fair value on a recurring or non-recurring basis in a manner that reflects their highest and best use.

### Nonrecurring fair value changes

| Group (USD millions) | 2013 | 2012 |
|---|---|---|
| **Investment property** | **466** | **518** |
| Of which level 2 | 466 | 518 |

### Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or until the fair value is expected to become observable.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Deferred trade date profit (USD million)** | | |
| Balance at the beginning of period | 394 | 433 |
| Increase due to new trades | 99 | 175 |
| Reduction due to passage of time | (52) | (37) |
| Reduction due to redemption, sales, transfers or improved observability | (58) | (177) |
| **Balance at the end of period** | **383** | **394** |

### Fair Value of financial instruments not carried at fair value

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the Consolidated Statements of Financial Position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

### Fair Value of financial instruments not recognised at fair value by level of fair value hierarchy

**As at 31 December 2013**

| Group (USD million) | Level 1 | Level 2 | Level 3 | Total at fair value |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and due from banks | 27,169 | 111 | - | 27,280 |
| Interest-bearing deposits with banks | - | 285 | - | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 21,698 | - | 21,698 |
| Other loans and receivables | - | 2,761 | 1,689 | 4,450 |
| Other investments | - | - | 34 | 34 |
| Other assets | - | 39,407 | 131 | 39,538 |
| **Total fair value of financial assets** | **27,169** | **64,262** | **1,854** | **93,285** |
| **Financial liabilities** | | | | |
| Deposits | 2,489 | 2,843 | - | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | - | 5,036 | - | 5,036 |
| Short term borrowings | - | 15,624 | - | 15,624 |
| Long term debt | - | 21,395 | - | 22,338 |
| Other financial liabilities | - | 38,761 | 823 | 39,584 |
| **Total fair value of financial liabilities** | **2,489** | **83,659** | **823** | **87,914** |

**As at 31 December 2013**

| Bank (USD million) | Level 1 | Level 2 | Level 3 | Total at fair value |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and due from banks | 27,006 | 111 | - | 27,117 |
| Interest-bearing deposits with banks | - | 285 | - | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 21,698 | - | 21,698 |
| Other loans and receivables | - | 2,761 | 1,689 | 4,450 |
| Other investments | - | - | 34 | 34 |
| Other financial assets | - | 39,395 | 131 | 39,526 |
| **Total fair value of financial assets** | **27,006** | **64,250** | **1,854** | **93,110** |
| **Financial liabilities** | | | | |
| Deposits | 2,489 | 2,843 | - | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | - | 5,036 | - | 5,036 |
| Short term borrowings | - | 15,624 | - | 15,624 |
| Long term debt | - | 21,395 | - | 21,395 |
| Other financial liabilities | - | 38,743 | 823 | 39,566 |
| **Total fair value of financial liabilities** | **2,489** | **83,641** | **823** | **86,953** |

## 37. Assets Pledged or Assigned

The following table sets forth details of assets pledged or assigned:

| Group and Bank | 2013 | 2012 |
|---|---|---|
| **Assets pledged or assigned (USD million)** | | |
| Trading financial assets at fair value through profit or loss | 22,951 | 33,761 |
| **Collateral received (USD million)** | | |
| Fair value of collateral received with the right to resell or repledge | 32,923 | 40,251 |
| ▪ Of which sold or repledged | 18,405 | 26,381 |

Assets pledged or assigned represents the balance sheet position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivatives transactions. Refer to Note 15 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2013 and 2012, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party, has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

The CSi group enters into agreements with counterparties where collateral or security interests in positions, which the CSi group holds, has been provided. This includes situations where the CSi group has registered charges to certain counterparties over the CSi groups assets in connection with its normal operating activities.

## 38. Derecognition

In the normal course of business, the CSi group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSi group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Significant Accounting Policies.

### Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSi group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by SPEs to which the asset has been transferred. In addition, the CSi group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSi group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSi group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSi group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSi group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSi group still has continuing involvement as at 31 December 2013, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

## Information on transferred assets by type of continuing involvement

**2013**

| Group and Bank (USD million) | Carrying amount of continuing involvement in statement of financial position | | Fair value of continuing involvement | | Maximum exposure to loss | Loss from transfer | Income / Expense from continuing involvement | |
|---|---|---|---|---|---|---|---|---|
| | Trading financial assets at fair value through profit or loss | Trading financial liabilities at fair value through profit or loss | Assets | Liabilities | | | For the year ended 31 December 2013 | Cumulative to 31 December 2013 |
| **Type of continuing involvement** | | | | | | | | |
| Derivatives | | | | | | | | |
| ■ Swaps | 168 | (10) | 168 | (10) | 168 | (12) | (15) | 114 |
| Notes | 120 | - | 120 | - | 120 | - | -[1] | 17 |
| **Total** | **288** | **(10)** | **288** | **(10)** | **288** | **(12)** | **(15)** | **131** |

**2012**

| Group and Bank (USD million) | Carrying amount of continuing involvement in statement of financial position | | Fair value of continuing involvement | | Maximum exposure to loss | Loss from transfer | Income / Expense from continuing involvement | |
|---|---|---|---|---|---|---|---|---|
| | Trading financial assets at fair value through profit or loss | Trading financial liabilities at fair value through profit or loss | Assets | Liabilities | | | For the year ended 31 December 2012 | Cumulative to 31 December 2012 |
| **Type of continuing involvement** | | | | | | | | |
| Derivatives | | | | | | | | |
| ■ Swaps | 213 | (24) | 213 | (24) | 213 | (38) | (76) | 154 |
| Notes | 122 | - | 122 | - | 122 | - | -[1] | 19 |
| **Total** | **335** | **(24)** | **335** | **(24)** | **335** | **(38)** | **(76)** | **173** |

The majority of the CSi Group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSi group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

The following table shows a maturity analysis of undiscounted cash outflows that the CSi group may be required to pay to repurchase the asset or any other amounts payable (such as dividends and interest payable) to the counterparty. The below table includes situations where the CSi group has an

[1] The expenses from involvement (year-to-date) for Notes is USD 6,951 but shown as Nil as the statement is presented in USD million.

option to repurchase the asset. In such instances, where the timing of the cash flows is not specified, the total undiscounted amount has been included in the earliest maturity bucket in the disclosure below. Cash outflows to the counterparty may be triggered by credit events.

### Maturity analysis of undiscounted cash flows to repurchase transferred assets by type of continuing involvement

**2013**

| Group and Bank (USD million) | Total | on demand | Less than 1year | 1 – 5 years | More than 5 years |
|---|---|---|---|---|---|
| **Type of continuing involvement** | | | | | |
| Derivatives[1] | | | | | |
| ▪ Swaps | (310) | (310) | - | - | - |

**2012**

| Group and Bank (USD million) | Total | on demand | Less than 1year | 1 – 5 years | More than 5 years |
|---|---|---|---|---|---|
| **Type of continuing involvement** | | | | | |
| Derivatives[1] | | | | | |
| ▪ Swaps | (1,179) | (1,179) | - | - | - |

Instruments that are considered to be continuing involvement are included in Note – 15 Trading Financial Assets and Liabilities at Fair Value Through Profit and Loss and Note 27 Long Term Debt.

[1] The derivative provides CSi group the right but not the obligation to repurchase the transferred asset at the CSi group's option.

### Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSi group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSi groups balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSi group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

### Carrying amount of transferred assets not derecognised and associated liabilities

| Group and Bank (USD million) | 2013 | | 2012 | |
|---|---|---|---|---|
| Financial assets not derecognised due to the following transactions | Carrying amount of assets | Carrying amount of associated liabilities | Carrying amount of assets | Carrying amount of associated liabilities |
| Repurchase & Securities lending agreements | 15,212 | 15,212 | 16,691 | 16,588 |
| Total return swaps | 853 | 833 | 1,681 | 1,610 |
| Other | 482 | 482 | 519 | 519 |

The CSi group also participates in securities lending agreements where the counterparty provides securities as collateral or fees. The carrying amount of the assets not derecognised in such transactions is equal to USD 3,310 million.

Where the CSi group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement.

The counterparties to the associated liabilities included above, have full recourse to CSi.

Assets not derecognised are included in Note – 15 Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and the corresponding liabilities are included in Note – 14 Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements and Note – 16 Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss.

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under Financial assets designated at fair value through profit or loss in the Consolidated Statement of Financial Position.

## 39. Financial Instruments Risk Position

### Risks Detail

### i) Market risk

#### Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. The Bank defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

The Bank has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Bank level down to specific portfolios. The Bank uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across the Bank's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are value-at-risk ('VaR') and scenario analysis. Additionally, the Bank's market risk exposures are reflected in the ERC calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

#### Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. The Bank uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS') and other related international standards for market risk management. For some purposes, such as backtesting and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Bank uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The Bank uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the Bank uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the VaR model.

The Bank has approval from the PRA to use its regulatory VaR model in the calculation of trading book market risk capital requirements, and the model is subject to regular reviews by the regulator.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on either a ten-day (for internal risk management and regulatory purposes) or one-day (for backtesting purposes) holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

### Scenario analysis

Stress testing complements other risk measures by capturing the Bank's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Bank level, a set of scenarios are used which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Bank's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and the business lines.

The Bank's stress testing framework is governed through a dedicated steering committee that operates across CS group. Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios are reviewed and updated as markets and business strategies evolve, and new scenarios are designed by the Risk division in collaboration with Global Research and the business divisions.

## Trading portfolios

### Risk measurement and management

Market risk arises in CSi's trading portfolios primarily through the trading activities of the Investment Banking business lines.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Bank's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Bank's market risk exposure, not for financial statement purposes.

CSi is active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of CSi's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

### Development of trading portfolio risks

The table below shows the trading related market risk exposure for the Bank, as measured by ten-day 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio. There is no material difference in VaR between the Bank and the CSi group.

### Ten-day, 99% VaR – trading portfolios

| End of period | Interest rate and credit spread | Foreign exchange | Commodity | Equity | Diversification benefit[1)] | Total |
|---|---|---|---|---|---|---|
| **2013 USD million** | | | | | | |
| Average | 73 | 17 | 8 | 21 | (62) | 57 |
| Minimum | 34 | 6 | 2 | 11 | - | 26 |
| Maximum | 124 | 43 | 19 | 86 | - | 113 |
| End of period | 35 | 15 | 6 | 21 | (39) | 38 |
| **2012 USD million** | | | | | | |
| Average | 101 | 23 | 11 | 34 | (77) | 92 |
| Minimum | 75 | 5 | 2 | 19 | -[2)] | 46 |
| Maximum | 139 | 70 | 29 | 83 | -[2)] | 150 |
| End of period | 97 | 15 | 10 | 40 | (93) | 69 |

1) VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

### VaR results

The CSi group's ten-day, 99% regulatory VaR as of 31 December 2013 decreased by 45% to USD 38 million, compared to 31 December 2012 (USD 69 million).

### Banking portfolios

### Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

### Development of non-trading portfolio risks

Foreign exchange risk related to expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at the CSi group level through the levelling of accrued profit or losses which are incurred in a currency other than the CSi group's presentation currency. Any non-presentation currency denominated profit or loss of the CSi group is systematically leveled against the CSi group's presentation currency during or immediately after the month so that foreign exchange risks on accrued profit or loss are fully eliminated at month-end.

The CSi group has approval to manage its own trading profit or loss related foreign exchange risk through a formal trading mandate and has established defined risk limits.

Interest rate risk on banking book positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 1 million as of 31 December 2013 compared to USD 2 million as of 31 December 2012. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2013, the fair value impacts of 200-basis-point move in yield curves (flooring at zero where appropriate) were:

+200bps increase of USD 205 million (2012: increase of USD 549 million)

-200bps decrease of USD 155 million (2012: decrease of USD 14 million)

The fair value impact of a statistical one-year adverse interest rate move (to 99% confidence level) was a decrease of USD 73 million. Both measures are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of approximately USD 2 million in the value of the non-trading portfolio as of 31 December 2013 and USD 15 million as of 31 December 2012.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of approximately USD Nil in the value of the non-trading portfolio as of 31 December 2013 compared to USD Nil million as of 31 December 2012.

### ii) Liquidity Risk

Liquidity risk is the risk that a company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

#### CS group-wide management of liquidity risk

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee ('CARMC'), a committee that includes the Chief Executive Officers ('CEOs') of the CS group and the divisions, the Chief Financial Officer ('CFO'), the Chief Risk Officer ('CRO') and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Bank's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS's liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situations.

The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor the structural liquidity position of the firm and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal liquidity barometer, which allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modeling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ('LCR') and a net stable funding ratio ('NSFR'). The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by 1 January 2019.

The NSFR, which is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

### Legal entity management of liquidity risk

The liquidity risk of CSi is managed as an integral part of the overall CS global liquidity risk management framework. CSi aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for CSi is aligned to those used globally for the CS barometer.

The legal entity internal liquidity risk management framework also includes local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Association ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. In line with guidelines published by BCBS, the LCR will be subject to an initial minimum requirement of 60% on January 1, 2015 with full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR is expected to be introduced on January 1, 2018.

In the context of liquidity management at the legal entity, the Bank's Board is responsible for setting the liquidity risk appetite and liquidity risk tolerance limits. Some of the key characteristics determining CSi's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk tolerance;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The UK IB Board approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Treasury and ultimately approved by the Bank's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communicated strategies.

Incremental to CSi's unsecured funding sources from CS, CSi has the ability to access secured funding markets via repurchase agreements and a structured notes issuance programme. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities.

| **Group**<br>**31 December 2013** | **On Demand** | **Due within 3 months** | **Due between 3 and 12 months** | **Due between 1 and 5 years** | **Due after 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | - | 775 | 2,210 | 929 | 1,418 | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | - | 1,601 | 1,964 | - | 1,471 | 5,036 |
| Trading financial liabilities at fair value through profit or loss | 366,098 | - | - | - | - | 366,098 |
| Financial liabilities designated at fair value through profit or loss | - | 5,547 | 6,722 | 13,903 | 5,656 | 31,828 |
| Short term borrowings | - | 28 | 15,592 | 4 | - | 15,624 |
| Long term debt | - | 4,198 | 85 | 13,325 | 4,754 | 22,362 |
| Perpetual debt | - | - | - | - | - | - |
| Other liabilities | 31,517 | - | 29 | 8,038 | - | 39,584 |
| **Total** | **397,615** | **12,149** | **26,602** | **36,199** | **13,299** | **485,864** |

| **Group**<br>**31 December 2012** | **On Demand** | **Due within 3 months** | **Due between 3 and 12 months** | **Due between 1 and 5 years** | **Due after 5 years** | **Total** |
|---|---|---|---|---|---|---|
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | 1 | 604 | 2,263 | 671 | 1,305 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 1,176 | 1,007 | 2,691 | - | - | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 519,867 | - | - | - | - | 519,867 |
| Financial liabilities designated at fair value through profit or loss | - | 9,655 | 6,356 | 14,444 | 6,189 | 36,644 |
| Short term borrowings | - | 112 | 29,606 | - | - | 29,718 |
| Long term debt | - | 8,289 | 4,481 | 13,389 | 4,767 | 30,926 |
| Perpetual debt | - | - | - | - | 1,525 | 1,525 |
| Other liabilities | 44,707 | 33 | - | 226 | - | 44,966 |
| **Total** | **565,751** | **19,700** | **45,397** | **28,730** | **13,786** | **673,364** |

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. Trading liabilities have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (no maturity dates) the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or CSi to put or call the positions at short notice.

**iii) Currency Risk**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank has approval to manage its own trading P&L related FX risk through a formal trading mandate and has defined risk limits using the Value at Risk (VaR) methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate FX Policy. Both these methodologies are discussed in more detail in section i) of this note.

**iv) Credit Risk**

Credit risk in CSi is managed by the UK Credit Risk Management ('UK CRM') department, which is headed by the UK Chief Credit Officer ('UK CCO'), who in turn reports to the UK Chief Risk Officer. UK CRM is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group. All credit limits in CSi are subject to approval by UK CRM.

### Definition of counterparty risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

### Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

### Counterparty and transaction rating

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to whom the CSi group are exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSi group's internal ratings may differ from counterparty's external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and Risk Weighted Assets ('RWAs'), a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgment of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience.

The CSi group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and certain financial accounting purposes. This approach also allows us the pricing of transactions involving credit risk more accurately, based on risk/return estimates. CSi has been granted permission by PRA to use internal credit rating models under the Basel II A-Internal Rating Based ('IRB') approach for the majority of credit exposures in CSi. Exposures which are not covered by AIRB treatment are subject to the standardised approach.

### Credit risk overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

### Maximum Exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2013. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSi would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

## Maximum exposure to credit risk

| 2013 | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | Gross | Collateral | Net | Gross | Collateral | Net |
| **Maximum exposure to credit risk (USD million)** | | | | | | |
| Cash and due from banks | 27,280 | - | 27,280 | 27,117 | - | 27,117 |
| Interest bearing deposits with banks | 285 | - | 285 | 285 | - | 285 |
| Securities purchased under resale agreements and Securities borrowing transactions | 21,698 | 21,698 | - | 21,698 | 21,698 | - |
| **Trading financial assets at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 31,046 | - | 31,046 | 30,907 | - | 30,907 |
| ■ Derivative trading positions | 348,292 | 325,792 | 22,500 | 348,684 | 325,792 | 22,892 |
| ■ Other | 2,559 | - | 2,559 | 3,074 | - | 3,074 |
| **Financial assets designated at fair value through profit or loss** | | | | | | |
| ■ Debt securities | - | - | - | - | - | - |
| ■ Loans | 10,492 | 4,213 | 6,279 | 10,492 | 4,213 | 6,279 |
| ■ Reverse repurchase agreements | 7,597 | 7,597 | - | 7,597 | 7,597 | 0 |
| ■ Other | 2,474 | 2,299 | 175 | 2,474 | 2,299 | 175 |
| Other loans and receivables | 4,470 | 3,457 | 1,013 | 4,470 | 3,457 | 1,013 |
| Other assets | 39,538 | - | 39,538 | 39,526 | - | 39,526 |
| **Maximum exposure to credit risk – total assets** | **495,731** | **365,056** | **130,675** | **496,324** | **365,056** | **131,268** |
| **Off-balance sheet items** | | | | | | |
| ■ financial guarantees | 1,622 | 566 | 1,056 | 1,622 | 566 | 1,056 |
| ■ loan commitments and other credit related commitments | 12,499 | 5,920 | 6,579 | 12,499 | 5,920 | 6,579 |
| **Maximum exposure to credit risk – total off-balance sheet** | **14,121** | **6,486** | **7,635** | **14,121** | **6,486** | **7,635** |
| **Maximum exposure to credit risk** | **509,852** | **371,542** | **138,310** | **510,445** | **371,542** | **138,903** |

| 2012 | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | Gross | Collateral | Net | Gross | Collateral | Net |
| **Maximum exposure to credit risk (USD million)** | | | | | | |
| Cash and due from banks | 18,690 | - | 18,690 | 18,553 | - | 18,553 |
| Interest bearing deposits with banks | 2,525 | - | 2,525 | 2,525 | - | 2,525 |
| Securities purchased under resale agreements and Securities borrowing transactions | 24,103 | 24,103 | - | 24,103 | 24,103 | - |
| **Trading financial assets at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 34,896 | - | 34,896 | 34,796 | - | 34,796 |
| ■ Derivative trading positions | 500,363 | 473,755 | 26,608 | 500,717 | 473,755 | 26,962 |
| ■ Other | 1,647 | - | 1,647 | 2,203 | - | 2,203 |
| **Financial assets designated at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 80 | - | 80 | 80 | - | 80 |
| ■ Loans | 10,447 | 4,214 | 6,233 | 10,447 | 4,214 | 6,233 |
| ■ Reverse repurchase agreements | 5,283 | 5,283 | - | 5,283 | 5,283 | 0 |
| ■ Other | 4,318 | 3,732 | 586 | 4,318 | 3,732 | 586 |
| Other loans and receivables | 13,509 | 12,350 | 1,159 | 13,513 | 12,350 | 1,163 |
| Other assets | 53,942 | - | 53,942 | 54,249 | - | 54,249 |
| **Maximum exposure to credit risk – total assets** | **669,803** | **523,437** | **146,366** | **670,787** | **523,437** | **147,350** |
| **Off-balance sheet items** | | | | | | |
| ■ financial guarantees | 958 | 19 | 939 | 958 | 19 | 939 |
| ■ loan commitments and other credit related commitments | 15,194 | 52 | 15,142 | 15,194 | 52 | 15,142 |
| **Maximum exposure to credit risk – total off-balance sheet** | **16,152** | **71** | **16,081** | **16,152** | **71** | **16,081** |
| **Maximum exposure to credit risk** | **685,955** | **523,508** | **162,447** | **686,939** | **523,508** | **163,431** |

The CSi group is exposed to credit risk as a result of either a counterparty or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSi group typically enters into master netting arrangements (MNA's) with over the counter ('OTC') derivative counterparties. The MNA's allow the CSi group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 16 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 14 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

Included within other (Financial assets designated at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 34 – Guarantees and Commitments.

For further information on collateral held as security that the CSi group is permitted to sell or repledge refer to Note 37 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

### Risk mitigation

CSi actively manages its credit exposure utilising credit hedges and monetiseable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut. Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities); and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment.

### Counterparty exposure before collateral by rating

| **Bank** | **31 December 2013** | | **31 December 2012** | |
|---|---|---|---|---|
| | **USD million** | **%** | **USD million** | **%** |
| AAA | 2,725 | 4 | 3,315 | 4 |
| AA+ to AA- | 14,605 | 22 | 17,445 | 21 |
| A+ to A- | 20,588 | 30 | 33,067 | 39 |
| BBB+ to BBB- | 14,566 | 22 | 15,062 | 18 |
| BB+ to BB- | 7,860 | 12 | 8,117 | 9 |
| B+ and below | 7,054 | 10 | 7,350 | 9 |
| | **67,398** | **100** | **84,356** | **100** |

### Unsecured exposure by rating (including provisions)

| **Bank** | **31 December 2013** | | **31 December 2012** | |
|---|---|---|---|---|
| | **USD million** | **%** | **USD million** | **%** |
| AAA | 3,159 | 10 | 3,958 | 13 |
| AA+ to AA- | 9,373 | 29 | 7,834 | 25 |
| A+ to A- | 10,939 | 34 | 9,606 | 31 |
| BBB+ to BBB- | 3,526 | 11 | 4,503 | 14 |
| BB+ to BB- | 1,142 | 4 | 1,886 | 6 |
| B+ and below | 3,813 | 12 | 3,413 | 11 |
| | **31,952** | **100** | **31,200** | **100** |

The above tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank as most of the trading portfolio mainly resides in the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

### Wrong-way Risk

Wrong-way exposures

Correlation risk arises when the CSi enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, the CSi's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. The CSi has multiple processes that allow us to capture and estimate of wrong-way risk.

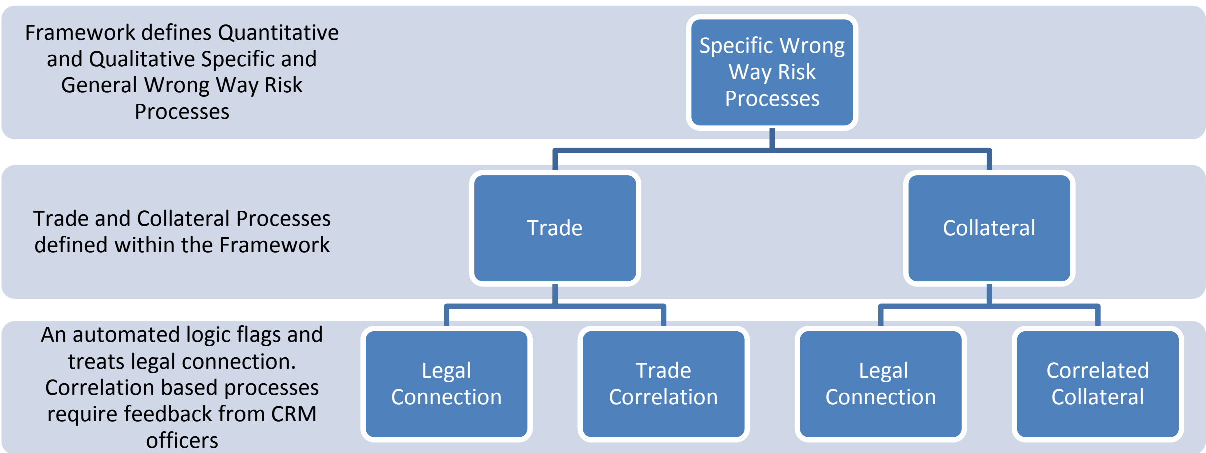
<u>Credit approval and reviews</u>

A primary responsibility of Credit Risk Management ('CRM') is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

<u>Exposure adjusted risk calculation</u>

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumption, ineligibility of collateral or scenario based add-ons is in place to identify and adjust exposures for all specific wrong way risk types as per the distinction in the table below.




With respect to general wrong way risk, a scenario based exposure add-on is applied to those counterparties where the Basel III prescribed stressed calibration of exposure is not deemed sufficient to capture the additional risk fully.

<u>Wrong-way risk monitoring</u>

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing wrong way risk due to legal connection are automatically flagged and included in the regular reporting. Transactions containing wrong way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. Scenarios giving rise to general wrong risk for a set of counterparties broken down by industry and region are also reported to CRM officers and discussed on a regular basis at the relevant committees.

### Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSi group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cashflows with a given counterpart where possible. CSi group proactively seeks to manage the timing of settlement instructions to agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

**v) Country Risk**

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. UK CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSi.

For CSi, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Limits are calibrated to the capital base of CSi through a methodology which measures the capital consumption of a stressed limit utilization via the Economic Risk Capital internal model. Upon UK CRM recommendation, limits are calibrated and approved by the UK Risk Management Committee on an annual basis or more frequently if warranted by a fundamental change in strategy or market conditions. The measurement of exposures against country limits is undertaken by RAR with weekly reports to UK CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. RAR and CRM provide independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to UK CCO and UK CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at UK Risk Management Committee level.

**vi) Legal Risk**

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the CS group's business activities or other sanctions. The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

## vii) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. CS group's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, CS group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of CS group's activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. The effective management of operational risk requires a common CS group-wide framework with ownership of these risks residing with the management responsible for the relevant business process.

### Operational risk management

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams at the divisional and CS group level that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

In 2013, CS group consolidated the various operational risk teams in the independent risk management function into a single Operational Risk Management ('ORM') department, reporting into the Chief Risk Officer. ORM is responsible for the overall design of the operational risk management framework, for operational risk capital modelling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout CS group for operational risk management, specifically with regard to identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the Bank's risk management committees, which have senior staff representatives from all the relevant functions. The Bank utilises a number of CS group-wide tools for the management and reporting of operational risk. These include:

- Risk appetite tolerance levels, which set out senior management's expectations with respect to losses or metrics- breaches of tolerance levels are reported to senior management and may trigger actions;
- Reporting on top operational risks, which is used to highlight the most material risks to senior management, along with associated risk remediation efforts;
- The operational risk register, which contains a catalogue of inherent operational risks arising as a consequence of CS group's activities;
- Risk and control indicators, which are metrics that are used to monitor specified operational risks and controls over time- they may be associated with tolerance levels that define acceptable performance and provide early warning signals about potential impending issues;
- Risk and control self-assessments ('RCSAs'), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilise other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks in each business;

- Internal operational risk incident data, which provide information on CS group's operational risk profile- incident investigations are carried out for material internal operational risk events, including those that did not result in economic losses and are used to assess control failings, identify required improvements and ascertain whether events have implications for other businesses;
- External operational risk incident data for peer firms, which are collected to identify risks that may be relevant in the future, even if they have not impacted CS group to date; and
- Operational risk scenarios, which are used to identify and measure exposure to a range of adverse events, such as unauthorised trading- these scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by CS group to calculate economic and regulatory capital.

CS group is continuously enhancing its operational risk management practices. There is an ongoing programme to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. In 2013, key enhancements included the introduction of a standardised operational risk register to ensure that risks are categorised and reported consistently, revisions to the RCSA process to improve assessment quality and increase output transparency, and the introduction of more granular operational risk tolerance levels for certain businesses. The framework enhancement programme is scheduled to be completed by the end of 2015.

**viii) Conduct Risk**

Conduct risk is the risk of poor conduct and behaviour by firms and/or individuals resulting in clients not getting a fair deal, a lack of integrity in dealings on financial markets and in the wider financial system and a lack of effective competition in the interests of consumers.

A London Conduct Risk Committee ('LCRC') has been established which is designed to enable the Bank to review the effectiveness of the Bank's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The LCRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the conduct risk space. The LCRC will consider reports covering conduct risk identification, conduct risk mitigation and conduct risk management information.

**ix) Reputational Risk**

It is CS group's policy to avoid any action, transaction or relationship with a politically exposed person which poses an unacceptable level of risk to CS group's reputation. Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. The CSi Board has formally delegated reputational risk issues to CS group's global Reputational Risk Review Process ('RRRP') and where an action or transaction gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to the RRRP.

The RRRP in EMEA involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on CS group's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee (the Committee) for review and final decision. The Committee is comprised of senior regional, divisional, shared services and CSi entity management.

Reputational risk is assessed on a regional basis; however the EMEA RRA will be included as part of the decision making process for any action or transaction which is a Remote Booking into CSi, which may include escalation to the Committee where appropriate reputational risk statistics, trends and notable submissions are reported to the CSi Board on a quarterly basis.

## 40. Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and funded derivatives that:

- are offset in the CSi group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the CSi group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables below. They are not offset in the Consolidated Statement of Financial Position.

### Derivatives

The CSi group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSi group or the counterparties. In addition the CSi group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives and OTC-cleared derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset because the CSi group:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Criteria (b) of IAS 32.42 may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g., derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Under IFRS, the CSi group has elected to account for substantially all hybrid financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Offsetting of Funded Derivatives on page 158.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

## Offsetting of derivative instruments

| (USD millions) | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **Group** | **Gross** | **Offsetting** | **Net** | **Gross** | **Offsetting** | **Net** |
| **Derivative Assets** | | | | | | |
| Derivative instruments subject to enforceable master netting agreements | 645,260 | (303,344) | 341,916 | 903,265 | (409,843) | 493,422 |
| Derivative instruments not subject to enforceable master netting agreements[1] | 6,376 | - | 6,376 | 6,941 | - | 6,941 |
| **Total derivative instruments presented in the Consolidated Statement of Financial Position** | **651,636** | **(303,344)** | **348,292** | **910,206** | **(409,843)** | **500,363** |
| of which recorded in trading financial assets at fair value through profit or loss | 651,636 | (303,344) | 348,292 | 910,206 | (409,843) | 500,362 |
| **Derivative Liabilities** | | | | | | |
| Derivative instruments subject to enforceable master netting agreements | 650,054 | (301,209) | 348,845 | 908,239 | (410,179) | 498,060 |
| Derivative instruments not subject to enforceable master netting agreements[1] | 8,797 | - | 8,797 | 10,336 | - | 10,336 |
| **Total derivative instruments presented in the Consolidated Statement of Financial Position** | **658,851** | **(301,209)** | **357,642** | **918,575** | **(410,179)** | **508,396** |
| of which recorded in trading financial liabilities at fair value through profit or loss | 658,851 | (301,209) | 357,642 | 918,575 | (410,179) | 508,396 |

1 Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

| Bank (USD millions) | 2013 Gross | 2013 Offsetting | 2013 Net | 2012 Gross | 2012 Offsetting | 2012 Net |
|---|---|---|---|---|---|---|
| **Derivative Assets** | | | | | | |
| Derivative instruments subject to enforceable master netting agreements | 645,260 | (303,344) | 341,916 | 903,265 | (409,844) | 493,421 |
| Derivative instruments not subject to enforceable master netting agreements[1] | 6,768 | - | 6,768 | 7,295 | - | 7,295 |
| **Total derivative instruments presented in the Statement of Financial Position** | **652,028** | **(303,344)** | **348,684** | **910,560** | **(409,844)** | **500,716** |
| of which recorded in trading financial assets at fair value through profit or loss | 652,028 | (303,344) | 348,684 | 910,560 | (409,844) | 500,716 |
| **Derivative Liabilities** | | | | | | |
| Derivative instruments subject to enforceable master netting agreements | 650,054 | (301,209) | 348,845 | 908,239 | (410,180) | 498,059 |
| Derivative instruments not subject to enforceable master netting agreements[1] | 9,110 | - | 9,110 | 10,481 | - | 10,481 |
| **Total derivative instruments presented in the Statement of Financial Position** | **659,164** | **(301,209)** | **357,955** | **918,720** | **(410,180)** | **508,540** |
| of which recorded in trading financial liabilities at fair value through profit or loss | 659,164 | (301,209) | 357,955 | 918,720 | (410,180) | 508,540 |

1 Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment.

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Position because securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Position apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the CSi group with the right to liquidate the collateral held. As is the case in the CSi group's normal course of business, the majority of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2013 and December 31, 2012. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| Group and Bank (USD Millions) | 2013 Gross | 2013 Offsetting | 2013 Net | 2012 Gross | 2012 Offsetting | 2012 Net |
|---|---|---|---|---|---|---|
| **Securities purchased under resale agreements and securities borrowing transactions** | | | | | | |
| Securities purchased under resale agreements | 25,927 | - | 25,927 | 24,245 | - | 24,245 |
| Securities borrowing transactions | 1,667 | - | 1,667 | 4,137 | - | 4,137 |
| **Total subject to enforceable master netting agreements** | 27,594 | - | 27,594 | 28,382 | - | 28,382 |
| **Total not subject to enforceable master netting agreements[1]** | 1,701 | - | 1,701 | 1,004 | - | 1,004 |
| **Total[2]** | **29,295** | | **29,295** | **29,386** | | **29,386** |

1 Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

2 USD 7,597 million (2012 USD 5,283) of the total net amount are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Positions.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| Group and Bank (USD Millions) | 2013 Gross | 2013 Offsetting | 2013 Net | 2012 Gross | 2012 Offsetting | 2012 Net |
|---|---|---|---|---|---|---|
| **Securities sold under repurchase agreements and securities lending transactions** | | | | | | |
| Securities sold under repurchase agreements | 11,066 | - | 11,066 | 12,149 | - | 12,149 |
| Securities lending transactions | 1,959 | - | 1,959 | 2,654 | - | 2,654 |
| **Total subject to enforceable master netting agreements** | 13,025 | - | 13,025 | 14,803 | - | 14,803 |
| **Total not subject to enforceable master netting agreements[1]** | 250 | - | 250 | 844 | - | 844 |
| **Total[2]** | **13,275** | **-** | **13,275** | **15,647** | **-** | **15,647** |

1 Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

2 USD 8,239 million (USD 10,773) of the total net amount are reported at fair value.

The following table presents the gross amount of Funded Derivatives Assets subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivatives Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

## Offsetting of Funded Derivatives Assets

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **Group and Bank (USD Millions)** | **Gross** | **Offsetting** | **Net** | **Gross** | **Offsetting** | **Net** |
| **Funded Derivatives Assets**[1] | | | | | | |
| Funded Derivative instruments subject to enforceable master netting agreements | 1,557 | - | 1,557 | 1,790 | - | 1,790 |
| Funded Derivative instruments not subject to enforceable master netting agreements[2] | 3,037 | - | 3,037 | 2,745 | - | 2,745 |
| **Total Funded Derivatives Assets** | **4,594** | **-** | **4,594** | **4,535** | **-** | **4,535** |

1 These represent funded derivatives included under Loans in Financial assets designated at fair value through profit or loss.

2 Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the gross amount of Funded Derivatives Liabilities subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivatives Liabilities not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

## Offsetting of Funded Derivatives Liabilities

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| **Group and Bank (USD Millions)** | **Gross** | **Offsetting** | **Net** | **Gross** | **Offsetting** | **Net** |
| **Funded Derivatives Liabilities**[1] | | | | | | |
| Funded Derivative instruments subject to enforceable master netting agreements | 3,913 | - | 3,913 | 2,707 | - | 2,707 |
| Funded Derivative instruments not subject to enforceable master netting agreements[2] | 350 | - | 350 | 1,524 | - | 1,524 |
| **Total Funded Derivatives Liabilities** | **4,263** | **-** | **4,263** | **4,231** | **-** | **4,231** |

1 These represent funded derivatives included under structured notes in Financial liabilities designated at fair value through profit or loss.

2 Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and funded derivatives not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

## Amounts not offset in the Consolidated Statement of Financial Position

| Group and Bank (USD million) | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net[1] | Financial instruments[2] | Cash collateral received/ pledged[2] | **Net exposure** | Net[1] | Financial instruments[2] | Cash collateral received/ pledged[2] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements** | | | | | | | | |
| Derivative instruments | 341,916 | (307,253) | (18,539) | 16,124 | 493,422 | (440,401) | (33,354) | 19,667 |
| Securities purchased under resale agreements | 25,927 | (25,927) | - | - | 24,245 | (24,245) | - | - |
| Securities borrowing transactions | 1,667 | (1,664) | - | 3 | 4,137 | (4,137) | - | - |
| Financial assets designated at fair value through profit or loss | 1,557 | (521) | - | 1,036 | 1,790 | (395) | - | 1,395 |
| **Total financial assets subject to enforceable master netting agreements** | **371,067** | **(335,365)** | **(18,539)** | **17,163** | **523,594** | **(469,178)** | **(33,354)** | **21,062** |
| **Financial liabilities subject to enforceable master netting agreements** | | | | | | | | |
| Derivative instruments | 348,845 | (313,977) | (23,345) | 11,523 | 498,060 | (447,245) | (38,203) | 12,612 |
| Securities sold under repurchase agreements | 11,066 | (11066) | - | - | 12,149 | (12,149) | - | - |
| Securities lending transactions | 1,959 | (1,959) | - | - | 2,654 | (2,654) | - | - |
| Financial liabilities designated at fair value through profit or loss | 3,913 | (763) | - | 3,150 | 2,707 | (39) | - | 2,668 |
| **Total financial liabilities subject to enforceable master netting agreements** | **365,783** | **(327,765)** | **(23,345)** | **14,673** | **515,570** | **(462,087)** | **(38,203)** | **15,280** |

1 Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

2 The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the above table is not representative of CSi's counterparty exposure.

## 41. Capital Adequacy

CSi's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the PRA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

### Capital Resources

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less regulatory deductions for items specified by the regulators, including material holdings of capital instruments issued by banks and investment firms, along with prudential filters, which are adjustments to accounting values for regulatory purposes.

CSi's overall capital needs are reviewed to ensure that its capital base can appropriately support the anticipated needs of its businesses. The capital management framework at CSG is designed to ensure that capital resources are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

CSi received a Tier 1 capital injection of USD 10 billion Participating Shares and a Lower Tier 2 capital injection of USD 1.1 billion subordinated debt during the course of 2013 in order to support the business. In 2012 a capital restructuring took place, CSi received a Tier 1 capital injection of USD 2 billion and a further Tier 1 injection of USD 202 million to replace Tier 2 subordinated debt that was repaid. Other movements in capital resources were as follows:

| | **2013** | **2012** |
|---|---|---|
| **Regulatory capital less deductions (USD million)** | | |
| **Total regulatory capital less deductions at 1 January** | **22,042** | **20,471** |
| Changes in Tier 1 instruments: | | |
| ■ Capital Injections | 10,000 | 2,000 |
| ■ Increase on reorganisation of capital base | - | 3,165 |
| Changes in Tier 2 instruments: | | |
| ■ Decrease on reorganisation of capital base | - | (3,155) |
| ■ Subordinated debt issued | 1,100 | |
| Net movement on Tier 2 capital (amortisation and currency translation) | (24) | 10 |
| Profit and loss and movements in other comprehensive income (including solo-consolidated entities) | (573) | (665) |
| Net movement in regulatory deductions and prudential filters | 134 | 216 |
| **Total regulatory capital less deductions at 31 December** | **32,679** | **22,042** |

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8% although the PRA requires this ratio to exceed the Individual Capital Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least 100%. The capital resources requirements reflect the credit, market and other risks of the Bank calculated using methodologies set out by the PRA.

CSi must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the PRA. CSi has put in place processes and controls to monitor and manage its capital adequacy and no breaches were reported to the PRA during the year.

The following table sets out details of CSi's regulatory capital resources at 31 December 2013 and 2012.

| | 2013 | 2012 |
|---|---|---|
| **Regulatory capital less deductions (USD millions)** | | |
| **Total shareholders' equity-Bank** | **25,041** | **15,577** |
| Reconciliation to Tier 1 capital: | | |
| ■ Regulatory deductions | (433) | (465) |
| ■ Prudential filters | 37 | (63) |
| ■ Reserves of solo-consolidated entities | (13) | 22 |
| **Tier 1 capital less deductions** | **24,632** | **15,071** |
| Tier 2 capital: | | |
| ■ Upper Tier 2- Perpetual Subordinated Debt | 2,508 | 2,507 |
| ■ Lower Tier 2 – Term Subordinated Debt | 5,573 | 4,499 |
| Excess Tier 2 capital | - | - |
| **Tier 2 capital** | **8,081** | **7,006** |
| | | |
| **Tier 1 plus Tier 2 capital** | **32,713** | **22,077** |
| Deductions | | |
| ■ Securitisation positions | (33) | - |
| ■ Expected loss amounts | - | - |
| ■ Other investments deducted from capital | - | (35) |
| **Tier 1 plus Tier 2 capital, less deductions** | **32,680** | **22,042** |
| Excess Tier 2 capital | - | - |
| Deductions from total capital | - | - |
| **Total regulatory capital less deductions** | **32,680** | **22,042** |

December 2010, the Basel Committee on Banking Supervision issued the Basel III framework with higher minimum capital requirements, and new conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. This was designed to strengthen the resilience of the banking sector. There were some subsequent refinements to this framework. The new capital standards and capital buffers require banks to hold more capital, mainly in the form of common equity. Basel III was implemented in the EU by amendment to the Capital Requirements Directive (CRD) and applies to both banks and investment firms. This has taken the form of a regulation and a directive with effect from 1 January 2014.

## 42. PRA Pillar 3 disclosures

Pillar 3 disclosures required by the UK implementation of Basel II under PRA rules can be found separately at www.credit-suisse.com.

## 43. Country-by-Country Reporting

The information relating to Country-by-Country reporting, required by Article 89 of Directive 2013/36/EU ('Capital Requirements Directive'), will be published at www.credit-suisse.com on or before 1 July 2014.

## 44. Subsequent Events

In February 2014, CSG provided employees who hold outstanding 2011 Partner Asset Facility (PAF2) awards with the opportunity to exchange their PAF2 awards. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards. Refer to Note 30 – Share-based Compensation and other Compensation Benefits for further information on the exchange of PAF2 awards.

**CREDIT SUISSE INTERNATIONAL**
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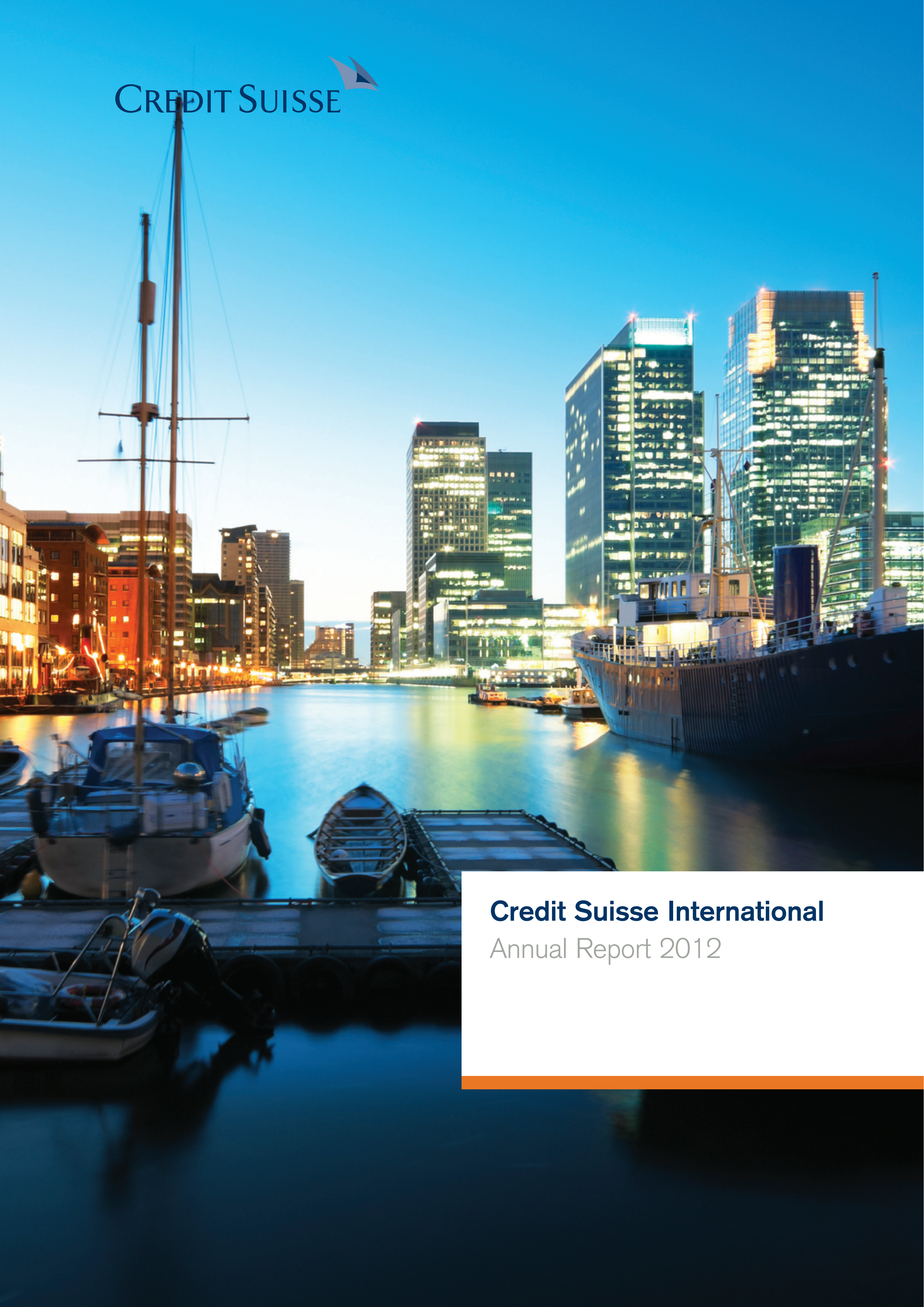
1440526 03.2014




# Credit Suisse International

Annual Report 2012

## Board of Directors

Noreen Doyle (Chair and Independent Non-Executive)

Gael de Boissard (CEO)

Eric Varvel

James Leigh-Pemberton

Tobias Guldimann

Chris Carpmael

Michael Hodgson

Stephen Kingsley (Independent Non-Executive)

## Company Secretary

Paul E Hare

| | |
|---|---|
| Company Registration Number | 2500199 |

# Directors' Report for the Year ended 31 December 2012

The directors present their Report and the Financial Statements for the year ended 31 December 2012.

## International Financial Reporting Standards

Credit Suisse International's 2012 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements for the year ended 31 December 2012 comprise Credit Suisse International ('CSi' or the 'Bank') and its subsidiaries together referred to as the 'CSi group'.

The Financial Statements were authorised for issue by the directors on 28 March 2013.

## Business Review

### Profile

CSi is a bank domiciled in the United Kingdom. It is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity, commodity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

CSi is an unlimited liability company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority ('FSA'). CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specialising in Investment Banking and Private Banking & Wealth Management. CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its clients through two divisions, Investment Banking and Private Banking & Wealth Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 47,400 employees from approximately 100 different nations.

### Management and governance

A number of management changes have been effected and governance strengthened. Gael de Boissard was appointed CEO of CSi and Michael Hodgson was appointed deputy CEO. Noreen Doyle was appointed Chair of the Board of Directors and Stephen Kingsley was appointed Chair of the Audit Committee. All such nominations are dealt with at CS group level.

In addition, the Bank has appointed a UK Chief Risk Officer ('CRO') and has made a series of changes to the risk governance framework as described in 'Risk Management' – page 10. Furthermore a risk committee has been established as set out in 'Internal Control and Financial Reporting' – page 8.

As in previous years employee compensation remains the subject of the CS group Remuneration Committee. The recommendations are, however, reviewed by CSi's Board of Directors. Consistent with the requirements of the FSA Remuneration Code the Bank has broadened the 'Malus clause' which is applicable to Code staff, UK Managing Directors and certain other identified employees.

### Principal products/Principal product areas

The CSi group has three principal business divisions: Fixed Income, Equities and Investment Banking, which are managed as a part of the Investment Banking Division of CS group:

- The Fixed Income Division ('FID') provides a complete range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real estate related assets.
- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.
- The Investment Banking Division ('IBD') includes financial advisory services regarding mergers and acquisitions, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with FID and Equities, capital raising services.

### Economic environment

In the UK, the annual rate of Consumer Price Index ('CPI') inflation was 2.7% in December 2012 which was a reduction from 2011. The Bank of England's target rate was 2%. The Bank of England left interest rates unchanged at 0.5% throughout the year, and the Asset Purchase Program was increased by GBP 100 billion to GBP 375 billion in 2012. The unemployment rate was 7.7% at the end of 2012. After growing by 0.9% in 2011, UK Gross Domestic Product ('GDP') eased to 0.4% in 2012.

The global economy showed signs of expansion in the first quarter of 2012 however as the year progressed there were signs of weakness which remained through to the end of the year. While growth in the US continued, overall economic activity in the Eurozone continued to contract.

Central Banks across the globe maintained expansionary monetary policies in an effort to strengthen and stimulate their economies. The US Federal Reserve ('Fed') maintained interest rates unchanged at 0.25% through the year. The Fed reacted to the slow improvement in the US labour market by extending its pledge to keep short-term interest rates at low levels until mid-2015, noting that monetary policy will remain highly accommodative even after the recovery strengthens. The Fed also announced it would purchase significant amounts of mortgage-backed securities until there is a substantial labour market improvement. The Fed also continued to shift its short-term US Treasury holdings towards longer-term securities.

In July 2012 the European Central Bank ('ECB') cut its key rate from 1% to 0.75%. This was driven by the need to ease monetary conditions in the Eurozone on the back of weak economic growth that resulted in heightened uncertainty, weighing on both confidence and sentiment. At the same time the ECB also cut its deposit rate from 0.25% to zero, with the intention of encouraging banks to lend to other institutions, companies or households instead of placing excess cash in the ECB's overnight deposit facility.

The Eurozone sovereign debt crisis remained a key theme of 2012. Greek elections in May did not result in a parliamentary majority and only renewed elections in June resulted in the formation of a coalition seeking continued participation of the country in the Eurozone. In late June, Spain asked for a EUR 100 billion bailout package to recapitalise Spanish banks. European leaders agreed on further proposals to stabilise the Eurozone, including a single banking supervisory mechanism run by the ECB and authorising the European Stability Mechanism to inject funds into banks directly. The ECB's pledge to buy unlimited amounts of Eurozone government bonds helped diffuse the Eurozone debt crisis towards the end of the year as yields on Spanish and Italian bonds fell.

In the emerging markets, there were similar trends. Brazil's central bank decreased its benchmark rate to 7.25% on the back of slowing growth in the economy. China also lowered interest rates for the first time since 2008 stepping up efforts to combat a deepening slowdown, and in India the Reserve Bank of India cut interest rates to boost a sagging economy.

### Financial markets and sector environment

In the first quarter of 2012, equity markets had their best quarterly performance of the past decade with some markets rallying more than 10%. Volatility, as indicated by the Chicago Board of Options Exchange Market Volatility Index ('VIX'), reached its lowest 5 year level in the first quarter driven by increased liquidity. Volatility remained low for the most part of the year, however towards the end of the year it increased as the US 'fiscal cliff' debate became more contentious. Despite lacklustre third quarter earnings results in US and Europe, increased risk appetite and low bond yields resulted in global equity prices ending higher by the end of 2012, however trading volumes on most stock exchanges remained subdued.

After a good performance for credit markets in the first half of 2012, the debt crisis in Europe drove yields of fiscally weaker European sovereigns and European banks to record highs. The first half of the year saw sovereign bonds from most troubled Eurozone countries posting negative returns and yields on Spanish bonds reached record levels. This trend was reversed towards the end of the year as concerns about the stability of the European Monetary Union diminished. Corporate and emerging markets high yield bonds outperformed German Bunds and European investment grade corporate bonds. In the US markets, the quantitative easing announcements by the Fed pushed up prices of inflation-linked bonds as inflation expectations increased.

In currency markets, the European sovereign debt crisis and softening growth indicators were the main drivers in 2012. Initially the US dollar strengthened against the euro on concerns over Eurozone debt and risk aversion. However in the second half of the year, the measures announced by the ECB and the actions taken by the Fed (which announced a further round of Treasury securities purchases) eased the risk premium on the euro. The US dollar was subdued against sterling initially, but lost ground in the later part of the year due to the easing of monetary policies by the Fed. For the most part of the year, sterling appreciated against the Euro on market concerns about the developments in the euro area. Towards the end of the year, however, sterling depreciated against the euro due to a reduction in near-term tail risks associated with euro-area sovereign debt problems.

Commodity markets were volatile, beginning with an increase in prices in the first quarter, due to political tensions in the Middle East resulting in an increase in oil prices. The second quarter saw sharp price declines mainly on account of selling pressures due to concerns regarding the global economic slowdown, a strong US dollar and the ongoing Eurozone sovereign debt issues. Central Bank announcements of continued monetary easing drove up gold prices.

2012 was a challenging year for the banking sector. In Investment Banking, global equity trading volumes decreased 21% year on year. Global completed mergers and acquisitions (M&A) activity was stable year on year, while European activity declined, with completed transactions down 27%. Global equity underwriting volumes were up 36% year on year, with European demand picking up. For global debt underwriting, volumes were up 88% year on year, with strong activity in Europe. In the US, fixed income volumes were stable year on year. European bank stocks performed strongly in the second half of the year and for the fourth quarter had gains of 11%.

In December, European finance ministers proposed further details on EU banking supervision whereby the ECB would assume overall oversight of EU banks in collaboration with national regulators, with a focus on large, systemically important institutions. Banks continued to adjust and develop their business models, driven by the need to achieve cost efficiencies and the impacts of regulatory developments.

### Performance

For the year ended 31 December 2012, the CSi group reported a net loss attributable to shareholders of USD 734 million (2011: USD 278 million loss). Net revenues amounted to USD 1,302 million (2011: USD 1,786 million). After operating expenses the CSi group reported a loss before tax of USD 359 million (2011: USD 193 million loss).

While 2012 net revenues have deteriorated relative to 2011, this is primarily attributable to the impact of fair value changes in financial liabilities due to improvements in CSi's own credit worthiness, resulting in valuation losses of USD (259) million (2011: USD 184 million gain).

The underlying 2012 financial performance of the CSi group was driven by a stable but subdued environment with generally lower uncertainty and volatility than in 2011.

Against this market backdrop, the divisional revenues were as follows:

- Fixed Income revenues increased in 2012 by 4% to USD 1,829 million compared to 2011. EMEA trading had a strong performance in 2012 driven by increased investor appetite for Turkish, Russian, Israeli and South African Bonds and FX products on the back of the Eurozone crisis. The Structured Credit business showed increased revenues driven by a large secured funding intermediation transaction, and the buy-back and subsequent unwind of several long dated asset liability matching transactions. Within the Rates business, customer flows could not be maintained, with stagnant market conditions and lower client risk appetite due to the lack of positive news in the market.
- Equity revenues were USD 789 million, an increase of 6% compared to 2011. Equity Derivatives revenues increased in 2012 and within Prime Services the Delta One financing business showed strong performance in the China ETF and NDF markets. The volatility trading desk recorded declining revenues, since 2012 was a benign year with less major events and disturbances in the market compared to 2011.
- Investment Banking revenues were USD 226 million which is consistent with the prior year

Note 4 – Segmental Analysis illustrates the region which generated the above revenues.

Net revenues were further impacted by the following items not allocated to the above divisions:

- Valuation losses of USD 160 million (2011: USD 132 million gain) as a result of fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness arising from the tightening of credit curves in 2012.
- A charge of USD 109 million (2011: USD 161 million) was included in net revenues as a result of a change in estimate relating to the expansion of the use of Overnight Indexed Swap ('OIS') interest rate yield curves, instead of other reference rates such as London Interbank Offered Rate ('LIBOR'), in determining the fair value of certain collateralised derivatives. This was based on the regular review of observable parameters used in pricing models.
- The cost of revenue sharing agreements with other CS group companies for the year of USD 734 million (2011: USD 459 million).
- USD 662 million of costs relating to treasury funding charges (2011: USD 540 million). This primarily comprises excess funding charges on long term financing versus overnight funding rates, which are only allocated out to the businesses at the CS group level. This includes losses of USD

99 million (2011: USD 52 million gain) as a result of fair value changes in treasury issued debt due to changes in the CSi's own creditworthiness.

The CSi group's operating expenses were USD 1,661 million (2011: USD 1,979 million). Compensation costs decreased by USD 28 million in 2012 as a result of cost reduction initiatives. General and administrative expenses decreased by USD 309 million, of which USD 157 million was as a result of a decrease in overhead expenses allocated from CS group. Additionally, brokerage and clearing house fees were reduced, primarily due to lower aluminium metal storage costs following the sale of inventory in early 2012.

Included in operating expenses is an expense of USD 38 million (2011: USD 44 million) in respect of the UK Bank Levy. The tax, applicable to all Banks and Banking groups operating in the UK, is charged on liabilities as at the statement of financial position date at a rate of 8.8 basis points for all short-term liabilities and 4.4 basis points for long-term liabilities, increasing to 13.0 and 6.5 basis points respectively in 2013.

Net income for the year was significantly impacted by the increased tax charge. In the second quarter of 2012, the UK and US tax Authorities advised CSi group that they reached agreement on the CSG Advanced Pricing Agreement ('APA') application for the period 2004-2011. The APA sets out the transfer pricing methodology which determines the allocation of profits and losses to be taxed in each jurisdiction. As a result of this agreement, for tax purposes, CSi reduced losses carried forward by USD 834 million, which resulted in an income tax expense of USD 324 million and an overall reduction in CSi's net deferred tax asset of USD 334 million.

The effective tax rate was (103.9%) for the year ended 31 December 2012. The effective tax rate is higher than the UK statutory tax rate due primarily to the decrease in the deferred tax asset due to the finalisation of the APA described above, as well as the reduction in the UK statutory tax rate. The effective tax rate for the similar period in 2011 was (44.0%). In that period the effective tax rate was higher than the statutory rate due primarily to the write-down of the deferred tax asset due to a change in the UK corporation tax rate.

As at 31 December 2012, the CSi group had total assets of USD 693,050 million (31 December 2011: USD 712,409 million) and total shareholders' equity of USD 15,589 million (31 December 2011: USD 11,135 million).

Off-Balance Sheet arrangements are highlighted in Note 34 – Guarantees and Commitments and Note 35 – Securitisations, Special Purpose Entities and Other Structured Transactions.

## Outlook

While there are certain signs of improvement in the financial markets, CSi expects the current subdued conditions to continue for the medium term, with stability and growth in Europe, and consequent impact on client activity, the most significant concern. CSi continues to respond to this by maintaining client focus and optimising the business model including reducing costs. CSi continues to execute on risk reduction, including reviewing the extent to which business originated outside of the UK will continue to be transacted in CSi in the longer term. Maintaining a strong capital position is a critical priority, including through the transition to the new capital standards which will be required when Basel III is implemented in the EU (expected in 2014)

During 2012, CS group took significant steps to adapt its businesses and organisation to accommodate the new regulatory requirements, changing client demands and the current market environment. Since the beginning of the year 2012, Basel III risk-weighted assets were reduced and the capital position was strengthened as a result of a capital restructuring, and the addition of further capital. In Investment Banking, the CS group substantially adapted its business model and was one of the first global banks to be Basel III compliant. CS group is now generating higher revenues and higher returns on significantly lower risk-weighted assets and on a substantially reduced expense base. CS group has a clearly positioned Fixed Income business, which runs on much lower risk, is capital-efficient and client-oriented, and has an industry-leading Equities franchise, which is highly scalable.

The impact of these actions will provide the CSi group with substantial opportunity for growth and stronger overall performance, particularly when economic and market conditions improve.

## Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the IFRS fair value hierarchy, where Level 3 comprises assets and liabilities for which the inputs for the asset or liability are not based on observable market data (unobservable inputs).

Total Level 3 assets were USD 12.6 billion as at 31 December 2012 (31 December 2011: USD 20.5 billion), which was equivalent to 1.82% of total assets.

Total Level 3 liabilities were USD 11.2 billion as at 31 December 2012 (31 December 2011: USD 15.5 billion), which was equivalent to 1.65% of total liabilities.

The decrease in Level 3 assets was principally driven by asset disposals in legacy businesses, along with the strategy to exit risky positions.

The decrease in Level 3 liabilities was principally driven by buybacks/expiries and transfers out of Level 3 due to improved pricing procedures and liquidity across a range of businesses.

## Dodd Frank Regulations

In December 2011, the Commodity Futures Trading Commission ('CFTC') finalised rules under the Dodd-Frank Act requiring regulatory and public reporting for a wide range of OTC derivatives. In addition, during 2012 the CFTC finalised many of the rules under the Dodd-Frank Act relating to the regulation of swap dealers and major swap participants. Market-making of in-scope products with US clients must be executed via a Swap Dealer. Following the introduction of Dodd Frank legislation (Title 7), CSi was selected to serve as Credit Suisse's principal swap dealing entity. In line with the legislation CSi has registered as a swap dealer with the CFTC and has to comply with the relevant obligations.

## Selected European credit risk exposures

CSi's exposure to certain European countries is summarised in the table below. Gross credit risk exposures, presented on a risk-based view, include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Net exposures include the impact of risk mitigation such as Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

Credit risk exposure to these European countries is managed as part of the overall CS group risk management process. This management includes the use of country limits, and the performance of scenario analyses on a regular basis including analyses on indirect sovereign credit risk exposures arising from exposures to selected European financial institutions.

| 31 December 2012 | Sovereign | | Financial Institutions | | Corporate | |
|---|---|---|---|---|---|---|
| USD Billions | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure | Gross Exposure | Net Exposure |
| Greece | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Ireland | 0.1 | 0.1 | 0.6 | 0.1 | 1.2 | 1.2 |
| Italy | 5.0 | 0.7 | 2.8 | 0.9 | 0.6 | 0.4 |
| Portugal | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 |
| Spain | 0.0 | 0.0 | 1.4 | 0.5 | 1.3 | 1.0 |
| **Total** | **5.5** | **0.9** | **5.0** | **1.5** | **3.2** | **2.7** |

## Capital Resources

The Bank closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This approach is consistent with the current capital regime and the forthcoming Basel III capital framework. CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the FSA. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy. No breaches were reported to the FSA during the year.

In anticipation of the implementation of Basel III, CSi's capital was restructured in February 2012. All classes of preference shares amount to USD 5,235 million, and callable subordinated loans amounting to USD 2,963 million were redeemed and replaced by new participating shares (ordinary shares with no voting rights). Furthermore, USD 202 million of capital was issued to replace subordinated debt that was repaid. As a result of these steps, there was a movement of USD 3,165 million from Tier 2 to Tier 1 capital.

In addition to the capital restructuring, CSi issued capital of USD 2,000 million during the course of 2012 to address regulatory capital requirements.

Changes in capital are set out in Note 28 – Share Capital and Share Premium.

Issues of long-term debt are set out in Note 27 – Long Term Debt.

## Internal Control and Financial Reporting

The directors are ultimately responsible for the effectiveness of internal control in the CSi group. Procedures have been designed for safeguarding assets; for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and for that provided to external users. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that have been established are designed to provide effective internal control within the CSi group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSi group have been in place throughout the year and up to 28 March 2013, the date of approval of the Consolidated Annual Report for 2012.

Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit and other authorisation limits and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well-established budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year, and other performance data.

### Committees

The Board delegates certain functions and responsibilities to the following committees:

#### Credit Suisse International Audit Committee

The purpose of the Committee is to:

- review the Internal Audit Plan to ensure its adequacy, as it pertains to the CSi group;
- review reports on systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review reports on quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports and management letters;
- review with the management and jointly with the Credit Suisse International Risk Committee, significant operational risk matters involving business processes and system infrastructure;
- review with management and jointly with the Credit Suisse International Risk Committee, significant matters of potential reputational risk;
- review the Annual Financial Statements on behalf of the Board; and
- report significant issues to the Board.

The Audit Committee members are Stephen Kingsley (Chair), Noreen Doyle and James Leigh-Pemberton.

In reviewing the CSi Annual Report 2012, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

#### Credit Suisse International Risk Committee

The purpose of the Committee is to:

- review and assess the integrity and adequacy of the risk management function of CSi group including processes and organisational structures;
- review and assess the CSi group's credit risk including any large exposures;
- review the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment ('ILAA');
- review with the management and jointly with the Credit Suisse International Audit Committee, significant operational risk matters involving business processes and system infrastructure;
- review and assess the adequacy of the risk measurement methodologies including the Risk Appetite framework;
- review other major risk concentration as deemed appropriate;
- monitor the adequacy of the business continuity program;
- review with management and jointly with the Credit Suisse International Audit Committee, significant matters of potential reputational risk;

- review and advise on risk adjustments to remuneration schemes; and
- report significant issues to the Board.

The Risk Committee members are Noreen Doyle (Chair), Tobias Guldimann and Eric Varvel.

### Credit Suisse International Disclosure Committee

The purpose of the Committee is to ensure compliance with the EU Prospectus and Transparency directives in relation to the listing by the Bank of debt securities on European exchanges. The Committee reviews and updates the Bank's disclosure document and ongoing disclosure requirements so as to provide investors with all such information as may reasonably be required to make an informed assessment of the Bank as an issuer of debt securities.

## Risk management

### Overview

The Bank's risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with the Bank's control framework and in consideration of industry best practices. The primary responsibility for risk management within CSi lies with the Bank's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk, settlement risk, country risk and reputational risk.

The Bank's risk management framework is based on transparency, management accountability and independent oversight. As a consequence of the increased complexity of risks, the Bank has defined its risk perspective broadly. Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Although the Bank has implemented risk management processes and control systems, it works to limit the impact of negative developments by managing concentrations of risks.

### Risk governance

The prudent taking of risk in line with the Bank's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Bank seeks to continuously strengthen the risk function, which is independent of, but closely interacts with, the trading functions to ensure the appropriate flow of information. In the past year, the Bank has made a series of changes to the risk governance framework designed to enhance the effectiveness of controls at all levels of the organisation. These changes include the appointment of a CRO with responsibility for overseeing the Bank's profile across all relevant risk types, the establishment of new risk committees at Board and senior management levels to increase the scrutiny over the Bank's risk exposures, and the introduction of new, more granular limits to provide additional controls over specific businesses, concentrations or particular risks. These changes are described in more detail below.

The Board of Directors has delegated authority to establish more granular limits within the bounds of its overall risk limits to a new UK Investment Banking Risk Management Committee, which is chaired by the Bank CRO and consists of senior risk and business managers. The purpose of the UK Investment Banking Risk Management Committee is to:

- ensure that proper standards for risk management are established;

- define and implement a risk appetite framework covering market, credit and operational risks and make recommendations to the Board on risk appetite;
- review the ICAAP and ILAA and make recommendations to the Bank's Risk committee on capital adequacy;
- allocate risk capital and establish market risk limits for individual businesses within authorities delegated by the Board;
- review the risk portfolio, set/approve limits and ceilings and other appropriate measures to monitor and manage the risk portfolio for the Bank; and
- review and implement appropriate controls over remote booking risk relating to the Bank.

### Risk organisation

Risks arise in all of the Bank's business activities and cannot be completely eliminated, but they are managed through its internal control environment. The Bank's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are managed within limits set in a transparent and timely manner.

The Bank's independent risk management function is headed by the Bank's CRO, who reports jointly to the Bank's CEO and the CRO of CS group. The Bank CRO is responsible for overseeing the Bank's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Bank has strengthened the risk management function to provide a more dedicated focus on the risks at an entity level, in addition to the global risk management processes applied by CS group.

The risk management function is responsible for providing risk management oversight and establishing a framework to manage all risk management matters through four primary risk departments: Strategic Risk Management ('SRM') assesses the Bank's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; Risk Analytics and Reporting ('RAR') is responsible for risk analytics, reporting, risk model validation, systems implementation and policies; Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and Bank Operational Risk Oversight ('BORO') is responsible for establishing a framework for managing operational risks including ensuring that operational risk policies are consistently implemented and helping understand, assess, and mitigate operational risks. The risk management function also addresses critical risk areas such as business continuity, technology risk and reputational risk management.

Committees are implemented at a senior management level to support risk management. The Risk Processes and Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters, for all CS group entities, including the Bank. The Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The Reputational Risk and Sustainability Committee sets policies and reviews processes and significant cases relating to reputational risks.

### Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define CSi group's maximum risk appetite given the market environment, business strategy and financial resources available to absorb losses. The Bank uses an Economic Capital ('EC') limit structure to manage overall risk-taking. The overall risk limits for the Bank are set by the Board of Directors and are binding. The Bank's CRO can approve positions that exceed the Board of Directors limits by no more than an approved percentage with any such approval being reported to the Board. Positions that exceed the Board of Directors limits by more than such approved percentage can only be approved by the Bank's CRO and CEO acting jointly.

Within the bounds of the overall risk appetite of the Bank, as defined by the limits set by the Board, the UK Investment Banking Risk Management Committee and Bank CRO are responsible for setting specific limits deemed necessary to control the concentration of risk within individual lines of business. In the past year, the Bank has introduced a range of more granular limits for individual businesses, concentrations and specific risks, such as those booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') or EC, though they could also include exposure, risk sensitivity and scenario analysis. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty credit limits that is used to control concentration risks. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated. In addition, the Bank has established thresholds for operational risk losses that trigger additional management action.

The majority of these limits are monitored on a daily basis, though those for which the inherent calculation time is longer (such as for EC or some credit portfolio limits) are monitored on a weekly or monthly basis.

The Bank's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 39 – Financial Instruments Risk Positions.

### Economic capital and position risk

EC is the core CS group-wide risk management tool and is integrated throughout, being calculated, reported and monitored for both CS group as a whole and for material subsidiaries, such as the Bank. It represents current market practice for measuring and reporting all quantifiable risks and measures risk in terms of economic realities rather than regulatory or accounting rules. It also provides a common terminology for risk across CS group, which increases risk transparency and improves knowledge-sharing. The development and usage of EC methodologies and models have evolved over time without a standardised approach within the industry; therefore comparisons across firms may not be meaningful.

Position Risk, which is a component of the EC framework, is used to assess, monitor and report risk exposures throughout CS group. Position Risk EC is the level of unexpected loss in economic value on the entity's portfolio of positions over a one-year horizon that is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

CS group regularly reviews the EC methodology to ensure the model remains relevant as markets and business strategies evolve.

As at 31 December 2012 the 99% Position risk was USD 2,347 million (2011: USD 2,816 million) for CSi group which was within the agreed limit set by Board of Directors[1].

## Subsidiary Undertakings and Branches

Credit Suisse First Boston International Warrants Limited was liquidated on 2 November 2012.

Credit Suisse First Boston Holding BV was liquidated on 12 December 2012.

Refer to Note 21 – Significant Subsidiaries.

## Dividends

No dividends were paid or are proposed for the year ended 31 December 2012 (2011: USD Nil).

[1] Unaudited

## Directors

The names of the directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2011 and up to the date of this report are as follows:

| **Appointment** | |
|---|---|
| Stephen Kingsley | 29 March 2012 |
| Chris Carpmael | 29 March 2012 |
| Gael de Boissard | 28 March 2013 |
| Michael Hodgson | 28 March 2013 |

| **Resignation** | |
|---|---|
| Fawzi Sami Kyriakos-Saad | 22 November 2012 |
| Costas Michaelides | 6 December 2012 |
| Rudolf Bless | 6 December 2012 |

None of the Directors who held office at the end of the financial year was directly beneficially interested, at any time during the year, in the shares of the Bank. Directors of the Bank benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

## Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the CSi group's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the CSi group's auditors are aware of that information.

## Employment of Disabled Persons

The CSi group adopts the CS group's policies relating to the employment of disabled persons and gives full and fair consideration to disabled persons in employment applications, training and career development including those who become disabled during their period of employment.

The CS group has a Disability Interest Forum in place as a UK initiative. This forum:

- provides a support network;
- facilitates information sharing for those with a disability or those caring for a family member or friend with a disability; and
- invites all those who want to participate and who have an interest.

The forum raises awareness of issues related to disability and promotes an environment where disabled employees are supported and are given the opportunity to reach their full potential.

## Donations

During the year the CSi group made USD 204 (2011: USD 11,450) of charitable donations. There were no political donations made by the CSi group during the year (2011: USD Nil).

## Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

## Subsequent Events

In the UK budget announcement of 20 March 2013, the UK government announced its intention to further reduce the UK corporation tax rate to 20% with effect from 1 April 2015. This tax rate reduction is expected to be substantively enacted in 2014. The effect of this tax rate reduction upon CSi group's deferred tax balance cannot be reliably quantified at this stage.

Also in the UK budget announcement of 20 March 2013, the UK Bank Levy rate from 1 January 2014 will be 14.2 basis points for short term liabilities and 7.1 basis points for long term liabilities.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
28 March 2013

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report of the CSi group and the Bank in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSi group and Bank and of their profit or loss for that period. In preparing each of the CSi group and Bank financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CSi group and the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSi group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board of Directors on 28 March 2013 by:

C J Carpmael

Chris Carpmael

Director

# Independent Auditor’s Report to the Members of Credit Suisse International

We have audited the financial statements of Credit Suisse International for the year ended 31 December 2012 set out on pages 18 to 131. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company (“the Bank”) financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the CSi group’s and of the Bank’s affairs as at 31 December 2012 and of the CSi group’s loss for the year then ended;
- the CSi group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Bank financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the CSi group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- the Bank financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicholas Edmonds

(Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

28 March 2013

## Consolidated Statement of Income for the Year ended 31 December 2012

| | Reference to note | 2012 | 2011 |
|---|---|---|---|
| **Consolidated statement of income (USD million)** | | | |
| Interest income | 5 | 1,077 | 1,285 |
| Interest expense | 5 | (1,248) | (1,367) |
| Net interest expense | | (171) | (82) |
| Commission and fee income | 6 | 173 | 184 |
| Commission and fee expense | 6 | (171) | (222) |
| Net commission and fee income/(expense) | | 2 | (38) |
| Release of provision/ (Provision) for credit losses | 7 | 44 | (23) |
| Net gains from financial assets/liabilities at fair value through profit or loss | 8 | 2,172 | 2,399 |
| Other revenues | 9 | (745) | (474) |
| Gain arising on business combination | 40 | - | 4 |
| **Net revenues** | | **1,302** | **1,786** |
| Compensation and benefits | 10 | (437) | (465) |
| General and administrative expenses | 11 | (1,224) | (1,514) |
| **Total operating expenses** | | **(1,661)** | **(1,979)** |
| **Loss before taxes** | | **(359)** | **(193)** |
| Income tax expense | 12 | (373) | (85) |
| **Net loss** | | **(732)** | **(278)** |
| Attributable to Credit Suisse International shareholders | | (734) | (278) |
| Attributable to noncontrolling interest | | 2 | - |

Loss for both 2012 and 2011 is from continuing operations.

The Bank's loss after tax was USD 691million for the year ended 31 December 2012 (2011: Loss USD 272 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

There are no other comprehensive incomes or expenses not included within the Consolidated Statement of Income.

The notes on pages 26 to 131 form an integral part of the Financial Statements.

# Consolidated Statement of Financial Position as at 31 December 2012

| | Reference to note | 2012 | 2011 |
|---|---|---|---|
| **Assets (USD million)** | | | |
| Cash and due from banks | | 18,690 | 14,795 |
| Interest-bearing deposits with banks | | 2,525 | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | 14 | 24,103 | 29,406 |
| Trading financial assets at fair value through profit or loss | 15 | 557,333 | 574,734 |
| of which positive market values from derivative instruments | 15 | 506,232 | 529,346 |
| Financial assets designated at fair value through profit or loss | 16 | 20,128 | 18,701 |
| Other loans and receivables | 17 | 13,509 | 14,343 |
| Other investments | | 33 | 31 |
| Investment property | 18 | 518 | 561 |
| Current tax assets | | 71 | 51 |
| Deferred tax assets | 13 | 1,450 | 1,843 |
| Other assets | 19 | 53,960 | 55,744 |
| Intangible assets | 22 | 465 | 407 |
| Property and equipment | 23 | 265 | 297 |
| **Total assets** | | **693,050** | **712,409** |
| | | | |
| **Liabilities and shareholders' equity (USD million)** | | | |
| Deposits | 24 | 4,844 | 4,451 |
| Securities sold under repurchase agreements and securities lending transactions | 14 | 4,874 | 6,971 |
| Trading financial liabilities at fair value through profit or loss | 15 | 525,737 | 551,224 |
| of which negative market values from derivative instruments | 15 | 514,265 | 540,734 |
| Financial liabilities designated at fair value through profit or loss | 16 | 36,644 | 31,352 |
| Short term borrowings | 25 | 29,718 | 32,742 |
| Other liabilities | 19 | 44,966 | 42,835 |
| Provisions | 26 | 24 | 26 |
| Long term debt | 27 | 30,654 | 31,673 |
| **Total liabilities** | | **677,461** | **701,274** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 28 | 3,108 | 9,625 |
| Share premium | 28 | 12,699 | 1,016 |
| Retained earnings | | (240) | 494 |
| **Total shareholders' equity** | | **15,567** | **11,135** |
| Noncontrolling interest | 35 | 22 | - |
| **Total equity** | | **15,589** | **11,135** |
| | | | |
| **Total liabilities and equity** | | **693,050** | **712,409** |

The notes on pages 26 to 131 form an integral part of the Financial Statements.

Approved by the Board of Directors on 28 March 2013 and signed on its behalf by:

C J Carpmael

Chris Carpmael

Director

# Bank Statement of Financial Position as at 31 December 2012

| | Reference to note | 2012 | 2011 |
|---|---|---|---|
| **Assets (USD million)** | | | |
| Cash and due from banks | | 18,553 | 14,750 |
| Interest-bearing deposits with banks | | 2,525 | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | 14 | 24,103 | 29,406 |
| Trading financial assets at fair value through profit or loss | 15 | 557,302 | 574,953 |
| of which positive market values from derivative instruments | 15 | 506,587 | 530,064 |
| Financial assets designated at fair value through profit or loss | 16 | 20,128 | 18,701 |
| Other loans and receivables | 17 | 13,513 | 14,348 |
| Current tax assets | | 70 | 51 |
| Deferred tax assets | 13 | 1,450 | 1,843 |
| Other assets | 19 | 54,268 | 56,035 |
| Investments in subsidiary undertakings | 21 | 10 | 10 |
| Other investments | | 33 | 31 |
| Intangible assets | 22 | 465 | 407 |
| Property and equipment | 23 | 250 | 281 |
| **Total assets** | | **692,670** | **712,312** |
| | | | |
| **Liabilities and shareholders' equity (USD million)** | | | |
| Deposits | 24 | 4,844 | 4,451 |
| Securities sold under repurchase agreements and securities lending transactions | 14 | 4,874 | 6,971 |
| Trading financial liabilities at fair value through profit or loss | 15 | 525,883 | 551,916 |
| of which negative market values from derivative instruments | 15 | 514,411 | 541,427 |
| Financial liabilities designated at fair value through profit or loss | 16 | 35,797 | 30,298 |
| Short term borrowings | 25 | 29,742 | 32,766 |
| Other liabilities | 19 | 45,280 | 43,137 |
| Provisions | 26 | 24 | 26 |
| Long term debt | 27 | 30,649 | 31,645 |
| **Total liabilities** | | **677,093** | **701,210** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 28 | 3,108 | 9,625 |
| Share premium | 28 | 12,699 | 1,016 |
| Retained earnings | | (230) | 461 |
| **Total shareholders' equity** | | **15,577** | **11,102** |
| | | | |
| **Total liabilities and shareholders' equity** | | **692,670** | **712,312** |

The notes on pages 26 to 131 form an integral part of the Financial Statements.

Approved by the Board of Directors on 28 March 2013 and signed on its behalf by:

C J Carpmael

Chris Carpmael

Director

# Consolidated Statement of Changes in Equity for the Year ended 31 December 2012

| | Share Capital | Share Premium | Retained Earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Consolidated statement of changes in equity (USD million)** | | | | | |
| **Balance at 1 January 2012** | **9,625** | **1,016** | **494** | **-** | **11,135** |
| | | | | | |
| **Total comprehensive income for the period** | | | | | |
| Loss for the period | - | - | (734) | 2 | (732) |
| Subsidiaries acquired in the year(refer Note 35) | | | | 20 | 20 |
| Cancellation of shares relating to capital restructuring[1] | - | - | - | - | - |
| Reduction in face value of Ordinary shares[2] | - | - | - | - | - |
| Transfer of Participating shares relating to capital restructuring | (3,951) | 3,951 | - | - | - |
| Transfer of Preference shares relating to capital restructuring | (5,235) | 5,235 | - | - | - |
| Issuance of Participating shares relating to capital restructuring | 581 | (581) | - | - | - |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | 329 | 2,634 | - | - | 2,963 |
| Issue of Participating shares | 1,759 | 444 | - | - | 2,203 |
| **Balance at 31 December 2012** | **3,108** | **12,699** | **(240)** | **22** | **15,589** |

| | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| **Consolidated statement of changes in equity (USD million)** | | | | |
| **Balance at 1 January 2011** | **9,625** | **1,016** | **772** | **11,413** |
| Loss for the period | - | - | (278) | (278) |
| **Balance at 31 December 2011** | **9,625** | **1,016** | **494** | **11,135** |

There were no dividends paid during 2012 (2011: Nil).

The notes on pages 26 to 131 form an integral part of the Financial Statements.

[1] The cancellation is USD 200 but shown as Nil as the statement is presented in USD million.
[2] The reduction is USD 112 but shown as Nil as the statement is presented in USD million.

# Bank Statement of Changes in Equity for the Year ended 31 December 2012

| | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| **Bank statement of changes in equity (USD million)** | | | | |
| **Balance at 1 January 2012** | **9,625** | **1,016** | **461** | **11,102** |
| | | | | |
| **Total comprehensive income for the period** | | | | |
| Loss for the period | - | - | (691) | (691) |
| Cancellation of shares relating to capital restructuring[1] | - | - | - | - |
| Reduction in face value of Ordinary shares[2] | - | - | - | - |
| Transfer of Participating shares relating to capital restructuring | (3,951) | 3,951 | - | - |
| Transfer of Preference shares relating to capital restructuring | (5,235) | 5,235 | - | - |
| Issuance of Participating shares relating to capital restructuring | 581 | (581) | | - |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | 329 | 2,634 | - | 2,963 |
| Issue of Participating shares | 1,759 | 444 | - | 2,203 |
| **Balance at 31 December 2012** | **3,108** | **12,699** | **(230)** | **15,577** |

| | Share Capital | Share Premium | Retained Earnings | Total |
|---|---|---|---|---|
| **Bank statement of changes in equity (USD million)** | | | | |
| **Balance at 1 January 2011** | **9,625** | **1,016** | **733** | **11,374** |
| Loss for the period | - | - | (272) | (272) |
| **Balance at 31 December 2011** | **9,625** | **1,016** | **461** | **11,102** |

There were no dividends paid during 2012 (2011: Nil).

The notes on pages 26 to 131 form an integral part of the Financial Statements.

[1] The cancellation is USD 200 but shown as Nil as the statement is presented in USD million.
[2] The reduction is USD 112 but shown as Nil as the statement is presented in USD million.

## Consolidated Statement of Cash Flows For the Year ended 31 December 2012

| | Reference to notes | 2012 | 2011 |
|---|---|---|---|
| Cash flows from operating activities (USD million) | | | |
| Loss before tax for the period | | (359) | (193) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Non-cash items included in net loss before tax and other adjustments: | | | |
| Impairment, depreciation and amortisation | 22,23 | 218 | 196 |
| Disposal of property and equipment | 23 | 1 | 2 |
| Disposal of intangible assets | 22 | 2 | 1 |
| Accrued interest on long term debt | 5 | 585 | 685 |
| (Release of allowance for loan losses)/Provision for credit losses | 7 | (44) | 23 |
| Impairment on loan commitments | | (5) | (1) |
| Foreign exchange losses | | (17) | (481) |
| Impairment on investment property | 18 | 21 | 63 |
| Provisions | 26 | 1 | 18 |
| Gain on acquisition of PFS business (net of cash acquired) | 40 | - | (4) |
| Income from equity method investment | | - | (9) |
| **Cash generated before changes in operating assets and liabilities** | | **403** | **300** |
| Net decrease/(increase) in operating assets: | | | |
| Securities purchased under resale agreements and securities borrowing transactions | | 5,303 | (13,274) |
| Trading financial assets at fair value through profit or loss | | 17,399 | (115,226) |
| Financial assets designated at fair value through profit or loss | | (1,427) | 5,934 |
| Other loans and receivables | | 883 | (8,452) |
| Other assets | | 1,787 | (9,020) |
| **Net decrease/(increase) in operating assets** | | **23,945** | **(140,038)** |
| Net (decrease)/increase in operating liabilities: | | | |
| Deposits | | 1,923 | 719 |
| Securities sold under repurchase agreements and securities lending transactions | | (2,097) | (914) |
| Trading financial liabilities at fair value through profit or loss | | (25,487) | 116,923 |
| Financial liabilities designated at fair value through profit or loss | | 5,292 | (2,944) |
| Short term borrowings | | (3,024) | 13,718 |
| Other liabilities and provisions | | 2,116 | 5,385 |
| Share-based compensation | | 11 | (55) |
| **Net (decrease)/increase in operating liabilities** | | **(21,266)** | **132,832** |
| Income taxes refund | | 3 | 180 |
| Income taxes paid | | (3) | (4) |
| **Net cash generated from/(used in) operating activities** | | **3,082** | **(6,730)** |
| Cash flows from investing activities (USD million) | | | |
| Capital expenditures for property, equipment and intangible assets | 22,23 | (247) | (278) |
| Sale of equity method investment | | - | 656 |
| Acquisition of PFS business (net of cash acquired) | 40 | - | (410) |
| **Net cash used in investing activities** | | **(247)** | **(32)** |
| Cash flows from financing activities (USD million) | | | |
| Issuances of long term debt | | 2,341 | 2,977 |
| Repayments of long term debt | | (946) | (1,913) |
| Issue of shares | 28 | 2,202 | - |
| Increase in noncontrolling interest | | 22 | - |
| **Net cash generated from financing activities** | | **3,619** | **1,064** |
| **Net increase/(decrease) in cash and due from banks** | | **6,454** | **(5,698)** |
| Cash and due from banks at beginning of period | | 12,568 | 18,266 |
| **Cash and due from banks at end of period** | | **19,022** | **12,568** |
| Cash and due from banks | | 18,690 | 14,795 |
| Interest-bearing deposits with banks | | 2,525 | 1,496 |
| Demand deposits | 24 | (2,193) | (3,723) |
| **Cash and due from banks at end of period** | | **19,022** | **12,568** |

Refer to Note 28 – Share Capital and Share Premium for significant non-cash transactions.

## Bank Statement of Cash Flows For the Year ended 31 December 2012

| | Reference to notes | 2012 | 2011 |
|---|---|---|---|
| **Cash flows from operating activities (USD million)** | | | |
| Loss before tax for the period | | (319) | (187) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Non-cash items included in net loss before tax and other adjustments: | | | |
| Depreciation and amortisation | 22,23 | 218 | 196 |
| Disposal of property and equipment | 23 | 1 | 2 |
| Disposal of intangible assets | 22 | 2 | 1 |
| Accrued interest on long term debt | 5 | 585 | 685 |
| (Release of allowance for loan losses)/Provision for credit losses | 7 | (44) | 23 |
| Impairment on loan commitment | | (5) | (1) |
| Foreign exchange losses | | (35) | (512) |
| Provisions | 26 | 1 | 18 |
| Gain on acquisition of PFS business (net of cash acquired) | 40 | - | (4) |
| **Cash generated before changes in operating assets and liabilities** | | **404** | **221** |
| Net decrease /(increase) in operating assets: | | | |
| Securities purchased under resale agreements and securities borrowing transactions | | 5,303 | (13,274) |
| Trading financial assets at fair value through profit or loss | | 17,649 | (114,542) |
| Financial assets designated at fair value through profit or loss | | (1,427) | 7,731 |
| Other loans and receivables | | 884 | (8,458) |
| Other assets | | 1,770 | (7,786) |
| **Net decrease /(increase) in operating assets** | | **24,179** | **(136,329)** |
| Net (decrease)/increase in operating liabilities: | | | |
| Deposits | | 1,923 | 719 |
| Securities sold under repurchase agreements and securities lending transactions | | (2,097) | (914) |
| Trading financial liabilities at fair value through profit or loss | | (26,033) | 117,133 |
| Financial liabilities designated at fair value through profit or loss | | 5,499 | (4,713) |
| Short term borrowings | | (3,024) | 13,504 |
| Other liabilities and provisions | | 2,125 | 4,379 |
| Share-based compensation | | 16 | (52) |
| **Net (decrease)/increase in operating liabilities** | | **(21,591)** | **130,056** |
| Income taxes refund | | 3 | 97 |
| Income taxes paid | | (3) | (4) |
| **Net cash generated from/(used in) operating activities** | | **2,992** | **(5,959)** |
| Cash flows from investing activities (USD million) | | | |
| Capital expenditures for property, equipment and intangible assets | 22,23 | (248) | (263) |
| Acquisition of PFS business (net of cash acquired) | 40 | - | (410) |
| Investment in subsidiary | | - | 17 |
| **Net cash used in investing activities** | | **(248)** | **(656)** |
| Cash flows from financing activities (USD million) | | | |
| Issuances of long term debt | | 2,335 | 2,954 |
| Repayments of long term debt | | (919) | (1,895) |
| Issue of shares | 28 | 2,202 | - |
| **Net cash generated by financing activities** | | **3,618** | **1,059** |
| **Net increase/(decrease) in cash and due from banks** | | **6,362** | **(5,556)** |
| Cash and due from banks at beginning of period | | 12,523 | 18,079 |
| **Cash and due from banks at end of period** | | **18,885** | **12,523** |
| Cash and due from banks | | 18,553 | 14,750 |
| Interest-bearing deposits with banks | | 2,525 | 1,496 |
| Demand deposits | 24 | (2,193) | (3,723) |
| **Cash and due from banks at end of period** | | **18,885** | **12,523** |

Refer to Note 28 – Share Capital and Share Premium for significant non-cash transactions.

## Notes to the consolidated financial statements

# Notes to the Financial Statements for the Year ended 31 December 2012

## 1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2012 comprise CSi and its subsidiaries (together referred to as the 'CSi group').

## 2. Significant Accounting Policies

### a) Statement of compliance

Both the Bank financial statements and the CSi group financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'). On publishing the parent company financial statements here together with the CSi group financial statements, the Bank is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Income and related notes.

### b) Basis of preparation

The Consolidated Financial Statements are presented in United States dollars (USD) rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments that are hedged as part of a designated hedging relationship and financial instruments designated by the CSi group as at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting Policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The CSi group and Bank have unrestricted and direct access to funding sources from CSG. After making enquiries of the CSG, the Directors of the Bank have received confirmation that CSG will ensure that the Bank maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

### Standards and Interpretations effective in the current period

The CSi group has adopted the following amendments in the current year:

- Amendments to IFRS 7, "Financial Instruments-Disclosures" – Transfers of Financial Assets: The amendments improved the understanding of transfer transactions of financial assets (for example, securitisations) by users of financial statements, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments were effective for annual periods beginning on or after 1 July 2011. As the amendments are for disclosures only, the adoption of the standard did not have a material impact on the CSi group's financial position, results of operation or cash flows.

### Standards and Interpretations endorsed by the EU and not yet effective

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective.

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after 1 July 2012. As the amendments impact presentation only, they will not have a material impact on the CSi group's financial position, results of operations or cash flows.

- Amendments to IAS 19 Employee Benefits: In June 2011, the IASB issued Amendments to IAS 19 "Employee Benefits" (IAS 19). Among other changes, the amendments eliminate the option that allowed an entity to defer the recognition of changes in net defined benefit liability and amend the disclosure requirements for defined benefit plans and multi-employer plans. The amendments are effective for annual periods beginning on or after 1 January 2013. The CSi group participates in defined benefit plans that are CS group schemes, in which the CSi group is not the sponsoring entity, therefore no retirement benefit obligation is recognised in the Statement of Financial Position and defined contribution accounting is applied. As a result, the application of IAS19R will not have a material impact on CSi group's financial position, results of operation or cash flows.

- IFRS 10 Consolidated Financial Statements: In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. IFRS 10 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting IFRS 10.

- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11 "Joint Arrangements" (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. IFRS 11 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting IFRS 11.

- IFRS 12 Disclosure of Interests in Other Entities: In May 2011, the IASB issued IFRS 12 "Disclosures of Interests in Other Entities" (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the financial statements to evaluate the nature of and any associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires certain disclosures, for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. As IFRS 12 requires disclosures only it will not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires certain disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The adoption of IFRS 13 on 1 January 2013 resulted in a charge to the income statement of USD 104m as a result of a change in application of valuation methodology in marking instruments within the bid-offer spread.

- IFRS 7 Disclosures- Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7). The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013. As the amendment requires disclosures only it will not have a material impact on the CSi group's financial position, results of operations or cash flows.

- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting the IAS 32 amendments.

### Standards and Interpretations not endorsed by the EU and not yet effective

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. The effective date of IFRS 9 was revised in December 2011, making it applicable for annual periods beginning 1 January 2015. The CSi group is currently evaluating the impact of adopting IFRS 9.

- Improvements to IFRS 2012: In May 2012,The IFRS issued "Annual Improvements to IFRSs 2009-2011 Cycle" (Improvements to IFRS), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRS comprise amendments that result in accounting changes for presentation recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. The Improvements to IFRS are required to be applied retrospectively for annual periods beginning on or after 1 January 2013. The CSi group is currently evaluating the impact of the amendments.

- Transition guidance for IFRS 10, IFRS 11 and IFRS 12: In June 2012, the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities; Transition Guidance" (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 joint

Arrangement and IFRS 12 Disclosure of Interest in Other Entities, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period". Also, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The Amendments to IFRS 10, IFRS 11 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013. The CSi group will adopt the requirements of this amendment when the provision of IFRS 10, IFRS 11 and IFRS 12 are adopted. The CSi group is currently evaluating the impact of adopting the Amendments to IFRS 10, IFRS 11 and IFRS 12.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued "Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27" (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. The Investment Entities Amendment is effective from 1 January 2014 with early adoption permitted. The CSi group is currently evaluating the impact of adopting the Investment Entities Amendment.

The accounting policies have been applied consistently by CSi group entities.

Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net income/ (loss) or total shareholders' equity.

### c) Basis of consolidation

The Consolidated Financial Statements include the results and positions of the CSi group and its subsidiaries (including special purpose entities). The Consolidated Financial Statements include the Statement of Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related Notes of the CSi group.

A subsidiary is an entity in which the CSi group holds, directly or indirectly, more than 50% of the outstanding voting rights, or which it otherwise has the power to control. Control is achieved where the CSi group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, the potential voting rights that presently are exercisable are taken into account. The results of subsidiaries acquired are included in the consolidated financial statements from the date that control commences until the date that control ceases. The CSi group reassesses consolidation status at least every quarterly reporting date.

The CSi group also consolidates subsidiaries when the substance of the relationship between the CSi group and the subsidiary indicates that the subsidiary is controlled by the CSi group in accordance with the Standing Interpretations Committee Interpretation (SIC) No. 12, 'Consolidation – Special Purpose Entities' (SIC 12). The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed. Acquisition related costs such as legal or consulting fees are expensed in the period in which they are incurred. The excess of the cost of an acquisition over the CSi group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is below the fair value of the identifiable net assets (negative goodwill), a gain may be reported in other income.

The effects of intercompany transactions and balances have been eliminated in preparing the Consolidated Financial Statements. Noncontrolling interests are presented in the Consolidated Statement of Financial Position as a separate component of equity. Net profit attributable to noncontrolling interests is shown separately in the Consolidated Statement of Income.

### d) Equity method investments

An equity method investment is an entity in which the CSi group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the CSi group holding in excess of 20%, but no more than 50%, of the voting rights. In assessing significant influence, potential voting rights that are presently exercisable are taken into account. Other factors that are considered in determining whether the CSi group has significant influence over another entity include representation on the board of directors, the interchange of managerial personnel and material intercompany transactions between the CSi group and the entity. Consideration of those factors might indicate that the CSi group has significant influence over another entity even though the CSi group's investment is for less than 20% of the voting rights.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSi group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the equity method investment. Goodwill arising on the acquisition of an equity method investment is included in the carrying amount of the investment. When the CSi group's share of losses in an equity method investment equals or exceeds the recorded share of profits, including any other unsecured long-term receivables, the CSi group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

### e) Foreign currency

The Bank's functional currency is United States Dollars ('USD'). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Consolidated Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

Assets and liabilities of CSi group companies with functional currencies other than USD are translated to USD at foreign exchange rates ruling at the Statement of Financial Position date. The revenue and expenses of these CSi group companies are translated to USD at the average foreign exchange rates for the year. The resulting translation differences are recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the Consolidated Statement of Income as part of gain or loss on disposal.

### f) Cash and due from banks

For the purpose of preparation and presentation of Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in 'Other assets' or 'Other liabilities'.

The CSi group holds money on behalf of clients in accordance with the client money rules of the UK's FSA. This money is included within 'Cash and due from banks' on the Statement of Financial Position and the corresponding liability is included in 'Other liabilities'.

### g) Securities purchased or sold under resale or repurchase agreements

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase agreements ('repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated Statement of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSi group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

### h) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Consolidated Statement of Financial Positions unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

The CSi group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

### i) Derivative financial instruments and hedging

All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities' and hedge accounting is applied.

The fair value recorded for derivative instruments does not indicate future gains or losses, but rather the unrealised gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available. For further information on fair value determination of derivative instruments, refer to Note 36 – Financial Instruments.

### Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host instrument, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income unless, consistent with the provisions of IAS 39, the fair value option is elected (as described in Note 2 (j) below) or the entire hybrid instrument is classified as held for trading, in which case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. Once separated, the derivative is recorded in the same line in the Consolidated Statement of Financial Positions as the host instrument.

### j) Financial assets and liabilities at fair value through profit or loss

The CSi group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation techniques consistent with those used in the financial markets. Where the input parameters cannot be validated using observable market data, reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable market data becomes available.

Related realised and unrealised gains and losses are included in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss'.

### Trading financial assets and financial liabilities at fair value through profit or loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments, loans and precious metals. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

### Financial instruments designated as held at fair value through profit or loss

Financial assets and liabilities are only designated as held at fair value through profit or loss if the instruments contain a substantive embedded derivative, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting;

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSi group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related financial assets and financial liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are recognised in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable. All fair value changes related to these financial instruments held at fair value through profit or loss are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

## k) Recognition and derecognition

### Recognition

The CSi group recognises financial instruments on its Consolidated Statement of Financial Position when the CSi group becomes a party to the contractual provisions of the instrument.

### Regular-way securities transactions

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSi group recognises regular-way purchases or sales of financial assets at the settlement date unless the instrument is a derivative or designated at fair value through profit or loss, in which case trade date accounting applies.

### Derecognition

The CSi group enters into transactions where it transfers assets recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Consolidated Statement of Financial Position. Transactions where substantially all risk and rewards are retained include securities purchased or sold under repurchase agreements, securities borrowing and lending transactions, and sales of financial assets with concurrent return swaps on the transferred assets.

In transactions where the CSi group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the CSi group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The CSi group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSi group has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

### Securitisation

The CSi group securitises assets, which generally results in the sale of these assets to special purpose entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

Interests in securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the CSi group's retained interests do not result in consolidation of the special purpose entity, nor in continued recognition of the transferred assets, these retained tranches are typically recorded in 'Trading financial assets at fair value through profit or loss'. Gains or losses on securitisation are recognised in profit or loss. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

## l) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

When calculating the effective interest, the CSi group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

### Impairment on other loans and receivables

The CSi group assesses at each statement of financial position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the statement of financial position date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has incurred, but not yet been identified. Loans that are not individually significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the CSi group or economic conditions that correlate with defaults in the CSi group.

Many factors can affect the CSi group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral. The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income in 'Provision for credit losses'. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

### Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSi group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value. The subsequent measurement will depend on the nature of the collateral.

### Renegotiated loans

Where possible, the CSi group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

### Loan commitments

Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed above. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is raised in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

### m) Netting

The CSi group only offsets financial assets and liabilities and presents the net amount on the Statement of Financial Position where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the CSi group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, if the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32, to offset transactions falling under Master Netting Agreements.

### n) Income tax

Income tax recognised in the Statement of Income for the year comprises current and deferred taxes. Income tax is recognised in the Consolidated Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

For UK corporation tax purposes the CSi may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the value of the tax losses surrendered to the claimant company.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Consolidated Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in Statement of Income for the periods presented is included in Note 12 Income Tax.

### Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSi group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

### o) Investment property

Investment property is initially measured at cost, and subsequent to initial recognition is measured using the cost model.

Investment property held under the cost model is subsequently measured at cost less depreciation and any provision for impairment unless held for sale. If held for sale it will be subsequently measured at the lower of carrying amount and fair value less costs to sell.

On an annual basis an independent external valuer is engaged to assist in the determination of the fair value using recognised valuation techniques. Consideration is given to the specific nature of the properties to reflect their highest and best use including any appropriate business plan.

### p) Intangible assets

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software is recognised as an asset when the CSi group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software. Also included within intangible assets is the customer list which was acquired as part of the PFS ('Prime Fund Solutions') acquisition and the capitalised cost is the fair value at the date of acquisition.

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion, or utilisation for internally developed software and over an estimated useful life of thirteen years using the straight line method for the customer list. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSi group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income.

### q) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSi group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

| | |
|---|---|
| Long leasehold buildings | 50 years |
| Leasehold improvements | 10 years |
| Computer equipment | 2-7 years |
| Office equipment | 5 years |

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment charge is recorded in profit and loss to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. The carrying amount of an asset for which an impairment loss has been recognised in prior years shall be increased to its recoverable amount only in a change of estimate in the asset's recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Income.

### r) Preference share capital

The CSi group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity. Therefore, preference share capital issued by the CSi group is classified as equity if it is non-redeemable and all dividends are discretionary, or is redeemable but only at the CSi group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

### s) Retirement benefit costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

In accordance with the provisions of IAS 19, "Employee Benefits" (IAS 19) for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the Statement of Financial Positions of the Bank and defined contribution accounting is applied, as the CSi group has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost. The CSi group's share of the retirement benefit obligation is instead recognised in the Statement of Financial Position of the sponsoring entity, Credit Suisse Securities (Europe) Limited ('CSSEL'), which is external to the CSi group but is a related party due to both entities being owned by CSG.

### t) Deposits

Deposits are funds held from customers (both retail and commercial) and banks, generally for the cash safekeeping and/or liquidity needs of those customers. The amount booked to the balance sheet positions represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums. Subsequent measurement is at amortised cost.

### u) Long term debt

Debt issued by the CSi group is initially measured at fair value, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest method to amortise cost at inception to the redemption value over the life of the debt.

#### Debt with embedded derivatives

The CSi group issues structured notes containing embedded derivatives, most of which have been designated as financial liabilities at fair value through profit or loss. For more information on the criteria that must be met to designate a financial instrument at fair value please refer to the previous section of this disclosure with the same name. Both the host instrument and embedded derivative in these structured notes are remeasured at each reporting period with changes in fair value being reported in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss' in the Consolidated Statement of Income.

### v) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed, unless the possibility is remote, except for those acquired under business combinations, which are recognised at fair value.

### w) Provisions

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'General and administrative expenses' on the Consolidated Statement of Income. Provisions for loan losses are recorded in 'Provision for credit losses' in the Consolidated Statement of Income.

### x) Share-based payments

The CSi group accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSi group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSi group. This entails the recognition of a liability, incurred and related to share-based payments, over the service period and in proportion to the service delivered at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period and if an award consists of individual tranches that vest in instalments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Consolidated Statement of Income.

### y) Other compensation plans

The CSi group has other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash payout is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout

### z) Interest income and expense

Interest income and expense includes interest income and expense on the CSi group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships), and certain financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

### aa) Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable. Subsequent to initial recognition, the CSi group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the Statement of Financial Position date when it is probable that the financial obligation will occur. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate.

Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

### bb) Commissions and fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

i) The amount of revenue can be measured reliably;

ii) It is probable that the economic benefits associated with the transaction will flow to the entity;

iii) The stage of completion of the transaction at the reporting date can be measured reliably; and

iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fee revenue is recognised from a diverse range of services provided to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fees from mergers and acquisitions and other corporate finance advisory services);
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio management, granting of loan commitments where it is not probable that the CSi group will enter into a specific lending arrangement, customer trading and custody services ); and
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees where it is probable that the Group will enter into a specific lending agreement) and recorded in 'Interest income'.
- Performance-linked fees or fee components are recognised when the recognition criteria are fulfilled

Incremental costs that are directly attributable to securing investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These assets are amortised as the CSi group recognises the related revenue.

### ab) Operating leases

The leases entered into by the CSi group are exclusively operating leases. The total payments made under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place. For lease incentive provided by the lessor, the CSi group, as lessee, recognises the aggregate benefit as a reduction of rental expense over the lease term on a straight-line basis.

If the CSi group is the lessor in an operating lease it continues to present the asset subject to the lease in its financial statements and recognises lease income on a straight-line basis over the period of the lease.

### Subleases

The subleases entered into by the CSi group are exclusively operating leases. Sublease payments received are recognised through the Consolidated Statement of Income.

### ac) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when declared.

### ad) Noncontrolling interest

Noncontrolling interest is equity in subsidiaries not attributable, directly or indirectly, to the CSi group. The CSi group presents noncontrolling interest in equity. However, if the holders of noncontrolling interest have the right to put the shares to CSi or one of its subsidiaries the instrument may meet the definition of a liability and is presented as such in the consolidated financial statements of the CSi group.

## 3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with IFRS, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are prudent, reasonable and consistently applied.

For further information on significant accounting judgements and estimates refer to Note 2 – Significant Accounting Policies, specifically the following:

i) Derivative financial instruments and hedging

j) Financial assets and liabilities at fair value through profit or loss

k) Recognition and derecognition

l) Other loans and receivables

n) Income tax

s) Compensation and benefits

v) Contingent liabilities

w) Provisions

x) Share-based payments

Management believes that the critical accounting estimates discussed below involve the most significant judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Consolidated Financial Statements.

### Fair Value

A significant portion of the CSi group's financial instruments (trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value) are recorded at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets (Level 1) or valuation techniques using observable inputs (Level 2). These instruments include government and agency securities, certain commercial papers (CP), most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs (Level 3). For these instruments, the determination of fair value requires subjective assessment and judgement depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and collateralised debt obligation (CDO), securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments.

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities.

For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to a counterparty, such as collateral held and master netting agreements.

For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2012, 83.3% and 83.2% of CSi group's total assets and total liabilities respectively, were measured at fair value (2011: 83.3% and 83.1%, respectively). Level 3 assets were USD 12.6 billion as of the end of 2012 (2011: USD 20.5 billion). As of the end of 2012, these assets comprised 1.82% of total assets (2011: 2.9%) and 2.18% of total assets measured at fair value (2011: 3.5%).

For further information on the fair value hierarchy and a description of CSi group's valuation techniques, refer to Note 36 – Financial Instruments.

During 2012, the CSi group changed the estimate for the valuation of certain Fixed Income and equity related collateralised derivative instruments. In determining the fair value of these derivatives, the OIS yield curve is now used to discount future expected cash flows as opposed to the LIBOR, which was used in prior periods. This change in estimate resulted in a loss of USD 109 million.

The CSi group does not recognise a dealer profit or unrealised gain or loss at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gain or loss is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 AG 76.

Control processes are applied to ensure that the fair value of the financial instruments reported in the Bank and CSi group Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. These control processes include the review and approval of new instruments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

### Special Purpose Entities

As part of normal business, CSi group engages in various transactions that include entities which are considered Special Purpose Entities ('SPEs'). A SPE is an entity which is created to accomplish a narrow and well defined objective, often created with legal arrangements that impose strict and sometimes permanent limits on the decision making powers of their governing board, trustee or management. Such entities are required to be assessed for consolidation under IAS 27 "Consolidated and separate financial instruments" (IAS 27) and its interpretation, SIC-12 "Consolidation-Special Purpose Entities".

Transactions with SPEs are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the SPEs. Securitisation-related transactions with SPEs involve selling or purchasing assets and entering into related derivatives with those SPEs, providing liquidity, credit or other support. Other transactions with SPEs include derivative transactions in the CSi group's capacity as the prime broker for entities qualifying as SPEs. The CSi group also enters into lending arrangements with SPEs for the purpose of financing client projects or the acquisition of assets. Further, the CSi group is involved with SPEs which were formed for the purpose of offering alternative investment solutions to clients. Such SPEs relate primarily to fund-linked vehicles or fund of funds, where the CSi group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

A SPE is consolidated by the CSi group when the substance of the relationship between the CSi group and the SPE indicates that the SPE is controlled by the CSi group. In assessing control, all relevant factors are considered, including qualitative and quantitative factors for example:

Qualitative factors:

(a) In substance, the activities of the SPE are being conducted on behalf of the CSi group according to its specific business needs so that the CSi group obtains benefits from the SPEs operation;

(b) In substance, the CSi group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the CSi group has delegated these decision-making powers;

Quantitative factors:

(c) In substance, the CSi group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or

(d) In substance, the CSi group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Quantitative factors are also known as the majority of the risks and rewards of ownership.

In the majority of cases, these SPEs are accounted for off-balance sheet under IFRS where the CSi group does not have the majority of the risks and rewards of ownership of the SPE.

SPEs may be sponsored by the CSi group, unrelated third parties or clients. Significant management judgement may be required both initially to apply the consolidation accounting requirements and thereafter, if certain events occur that require the CSi group to reassess whether consolidation is required.

### Contingencies and loss provisions

According to IAS 37, a provision shall be recognised when (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events

### Litigation contingencies

The CSi group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings, as well as the CSi group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

### Allowances and impairment losses on other loans and receivables

As a normal part of its business, the CSi group is exposed to credit risks through its lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSi group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSi group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk, industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSi group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate & institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSi group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSi group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

### Retirement Benefit Costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, CSi being a participant to the scheme and Credit Suisse Securities Europe Limited ('CSSEL'), a related party also owned by the CSG, as the sponsor. The CSi group's Share of the Retirement benefit obligation, main estimates and judgements lie with CSSEL which are described below:

The following relates to the assumptions CSSEL, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the CSi group is a participant.

The calculation of the expense and liability associated with the defined benefit pension plans requires the extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases as determined by CSSEL. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by CSSEL may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

CSSEL is required to estimate the expected return on plan assets, which is then used to compute the pension cost recorded in the Consolidated Statement of Income. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. These estimates are determined together with the plan investment and actuarial advisors.

The discount rate used in determining the benefit obligation is based upon either high quality corporate bond rates or government bonds. In estimating the discount rate, CSSEL takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments.

## Taxes

### Tax contingencies

Significant judgement is required in determining certain tax positions. The CSi group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

### Deferred tax valuation

Deferred tax assets (DTA) and liabilities are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the statement of financial position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding DTA established without impairment.

In evaluating whether DTA can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the Bank (primarily arising from the financial crisis that started in late 2008). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of DTA that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

### Share-based payments

The CSi group uses the liability method to account for its share-based compensation plans, which requires the CSi group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

### Transfer Pricing

Tax transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well as tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required.

## 4. Segmental Analysis

The Bank has concluded that there are three reportable segments that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when assessing the performance and allocation of resources. These segments are based on products and services offered by CSi group:

| | |
|---|---|
| Fixed Income: | The fixed income division (FID) operates in rates, foreign exchange, credit, structured products trading, emerging markets, and commodities markets. The operations also include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination, CMBS and Commodities. The product suite covers both cash and OTC derivatives including government bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps, and listed options across product classes. |
| Equities: | The activities of the equities division include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities. |
| Investment banking: | The investment banking division (IBD) service offering includes mergers and acquisitions, debt, equity and other capital raising activities. |

Segment performance is assessed by the Board based on the Monthly Board Summary report, which details revenues by segment. CSi assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi, it does not manage the expenses at a CSi segment level.

Similarly certain revenue items are not directly allocated to the above business segments at a CSi Bank level. These items include transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi may earn revenues.

Transactions between reportable segments are held at an arm's length basis and are included in the segment result.

The following table shows the external revenue of each operating segment during the year:

| | **2012** | **2011** |
|---|---:|---:|
| **Revenues (USD million)** | | |
| Fixed income | 1,829 | 1,767 |
| Equities | 789 | 744 |
| Investment banking | 226 | 227 |
| **Total revenues** | **2,844** | **2,738** |

The following table shows the CSi group's revenue by the region which generates the revenue:

| | 2012 | 2011 |
|---|---|---|
| **Revenues (USD million)** | | |
| EMEA[1] | 2,035 | 1,667 |
| America | 673 | 611 |
| Switzerland | (14) | 1 |
| Asia | 150 | 459 |
| **Total revenues** | **2,844** | **2,738** |

[1] EMEA is defined as Europe, Middle East and Africa excluding Switzerland and Luxembourg.

### CSi Group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totaling USD 1,248 million (2011: USD 1,265 million), all of which are located in EMEA.

### Reconciliation of reportable segment revenues

| | 2012 | 2011 |
|---|---|---|
| **IFRS statement of income (USD million)** | | |
| Total revenues for reportable segments – MIS | 2,844 | 2,738 |
| Revenue sharing agreements | (734) | (459) |
| Treasury funding | (662) | (540) |
| Other corporate items[1] | (280) | 43 |
| CS group to primary reporting reconciliations[2] | 134 | 4 |
| **Net Revenues** | **1,302** | **1,786** |

1 Significant item being fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness.

2 This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.

The CSi group is not reliant on any single customer for its revenue generation.

## 5. Net Interest Expense

| Group | 2012 | 2011 |
|---|---|---|
| **Net interest expense (USD million)** | | |
| Other loans and receivables | 572 | 677 |
| Securities purchased under resale agreements and securities borrowing transactions | 162 | 150 |
| Cash collateral paid on OTC derivatives transactions | 142 | 283 |
| Interest income on cash, cash equivalents and loans | 201 | 175 |
| **Interest income** | **1,077** | **1,285** |
| Deposits | (4) | (4) |
| Short term borrowings | (426) | (314) |
| Securities sold under repurchase agreements and securities lending transactions | (88) | (56) |
| Long term debt | (585) | (685) |
| Cash collateral received on OTC derivatives transactions | (145) | (308) |
| **Interest expense** | **(1,248)** | **(1,367)** |
| **Net interest expense** | **(171)** | **(82)** |

Interest income accrued on impaired financial assets during the year was USD 5 million (2011: USD 8 million).

## 6. Commissions and Fees Income/(Expense)

| Group | 2012 | 2011 |
|---|---|---|
| **Commission and fees income/(expense) (USD million)** | | |
| Lending business | 173 | 184 |
| Other customer services | (171) | (222) |
| **Net commission and fee income/(expense)** | **2** | **(38)** |
| | | |
| Total commission and fee income | 173 | 184 |
| Total commission and fee expense | (171) | (222) |
| **Net commission and fee income/(expense)** | **2** | **(38)** |

## 7. Release of provision/(Provision) for Credit Losses

| Group | 2012 | 2011 |
|---|---|---|
| **Release of provision/(Provision) for credit losses (USD million)** | | |
| Allowance for loan losses | 39 | (23) |
| Provisions for off-balance sheet exposure | 5 | - |
| **Release of provision/(Provision) for credit losses** | **44** | **(23)** |

## 8. Net Gains From Financial Assets/Liabilities At Fair Value Through Profit or Loss

| Group | 2012 | 2011 |
|---|---|---|
| **Net gains from financial assets/liabilities at fair value through profit or loss (USD million)** | | |
| Interest rate | 4,797 | 8,901 |
| Foreign exchange | (795) | (6,725) |
| Equity | (333) | (659) |
| Commodity | 43 | 327 |
| Credit | (1,608) | 428 |
| Other | 68 | 127 |
| **Total net gains from financial assets/liabilities at fair value through profit or loss** | **2,172** | **2,399** |

Of which:

| Net losses from financial assets/liabilities designated at fair value through profit or loss (USD) million) | 2012 | 2011 |
|---|---|---|
| Securities purchased under resale agreements and securities borrowing transactions | 12 | (24) |
| Loans | (489) | (1,887) |
| Other financial assets designated at fair value through profit or loss | (56) | (76) |
| Securities sold under repurchase agreements and securities lending transactions | 64 | 203 |
| Short term borrowings | (644) | 56 |
| Long term debt | (2,941) | (1,726) |
| Other financial liabilities designated at fair value through profit or loss | 122 | 38 |
| **Total net losses from financial assets/liabilities designated at fair value through profit or loss** | **(3,932)** | **(3,416)** |

Included in this total is USD 259 million loss (2011: USD 184 million gain) of fair value changes of financial liabilities due to changes in the CSi group's own creditworthiness (Structured Notes and Subordinated Debt, included in Long term debt and Short term borrowings above). The cumulative effect thereon is a gain of USD 141 million (2011: gain USD 400 million).

## 9. Other Revenues

| Group | 2012 | 2011 |
|---|---|---|
| **Other revenues (USD million)** | | |
| Revenue sharing agreement expense | (734) | (459) |
| Income from equity method investments | - | 9 |
| Other | (11) | (24) |
| **Other revenues** | **(745)** | **(474)** |

The revenue sharing agreement expense principally relates to amounts allocated to CSi from other companies in the CS group under transfer pricing policies.

## 10. Compensation and Benefits

| Group | 2012 | 2011 |
|---|---|---|
| **Compensation and benefits (USD million)** | | |
| Salaries and variable compensation | (368) | (402) |
| Social security | (43) | (41) |
| Pensions | (22) | (17) |
| Other | (4) | (5) |
| **Compensation and benefits** | **(437)** | **(465)** |

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 31 – Related Parties. Staff costs and staff numbers do not differ between Bank and CSi group.

## 11. General and Administrative Expenses

| Group | | 2012 | 2011 |
|---|---|---|---|
| **General and administrative expenses (USD million)** | | | |
| Occupancy expenses | | (3) | (17) |
| Amortisation expenses | 22 | (149) | (117) |
| Depreciation expenses | 23 | (69) | (76) |
| Depreciation for real estate | 18 | (7) | - |
| Impairment of Investment property | | (14) | - |
| Provisions | 26 | (1) | (18) |
| Brokerage charges and clearing house fees | | (298) | (446) |
| Auditor's Remuneration | | (3) | (3) |
| Professional services | | (24) | (29) |
| Impairment of intangible assets | 22 | - | (3) |
| CSG Trademark | | (21) | (29) |
| Net overheads allocated from other CS group entities | | (532) | (667) |
| UK Bank Levy | | (38) | (44) |
| Marketing data , Publicity and Subscription | | (21) | (21) |
| Non Income taxes | | (15) | (13) |
| Other | | (29) | (31) |
| **General and administrative expenses** | | **(1,224)** | **(1,514)** |

### Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 2.9 million (2011: USD 2.8 million). The following fees were payable by the CSi group to the auditor, KPMG Audit Plc.

| | 2012 USD'000 | 2011 USD'000 |
|---|---|---|
| **Csi Auditor's remuneration** | | |
| Fees payable to the Bank's auditor for the audit of the Bank's annual accounts | 1,894 | 1,882 |
| Fees payable to the CSi group's auditor and its associates for other services: | | |
| Audit-related assurance services | 127 | 96 |
| Other assurance services | 970 | 818 |
| **Total** | **2,991** | **2,796** |

## 12. Income Tax

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Current and deferred taxes (USD million)** | | | | |
| **Current tax** | | | | |
| Current expense on profits | (3) | (4) | (3) | (4) |
| Adjustments in respect of previous periods | 13 | 11 | 13 | 11 |
| Adjustments in respect of APA | 10 | - | 10 | - |
| **Current income tax benefit** | **20** | **7** | **20** | **7** |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | 101 | 113 | 101 | 113 |
| Current year tax losses | (18) | (73) | (18) | (73) |
| Adjustments in respect of APA | (335) | - | (335) | - |
| Adjustments in respect of previous periods | (2) | (2) | (2) | (2) |
| Effect of changes in tax rate or the imposition of new taxes | (139) | (130) | (139) | (130) |
| **Deferred income tax expense** | **(393)** | **(92)** | **(393)** | **(92)** |
| **Income tax expense** | **(373)** | **(85)** | **(373)** | **(85)** |

The UK corporation rate reduced from 26% to 24% with effect from 1 April 2012. Furthermore, the UK corporation tax rate will reduce from 24% to 23% with effect from 1 April 2013.

Further information about deferred income tax is presented in Note 13 – Deferred Taxes. The income tax expense for the year can be reconciled to the loss per the statement of income as follows:

### Reconciliation of taxes computed at the UK statutory rate

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Reconciliation of taxes computed at the UK statutory rate (USD million)** | | | | |
| Loss before tax | (359) | (193) | (319) | (187) |
| Income tax expense computed at the statutory rate of 24.5% (2011: 26.5%) | 88 | 51 | 79 | 49 |
| Increase/(decrease) in income taxes resulting from: | | | | |
| Other permanent differences | (5) | (11) | 4 | (9) |
| Effect of different tax rates of operations/subsidiaries operating in other jurisdictions | (3) | (1) | (3) | (1) |
| Adjustments to current tax in respect of previous periods | 13 | 11 | 13 | 11 |
| Impact of finalisation of APA | (325) | - | (325) | |
| Adjustments to deferred tax in respect of previous periods | (2) | (2) | (2) | (2) |
| Effect on deferred tax resulting from changes to tax rates | (139) | (133) | (139) | (133) |
| **Income tax expense** | **(373)** | **(85)** | **(373)** | **(85)** |

## 13. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 23% (2011: 25%).

On 21 March 2012, the UK Government announced that the corporation tax rate applicable from 1 April 2012 would be 24%. This change was substantively enacted on 26 March 2012.

In addition, the Finance Act 2012, which passed into law on 17 July 2012, included a further reduction in the UK corporation tax rate from 24% to 23% with effect from 1 April 2013. The change in the UK corporation tax rate from 25% to 23% has resulted in a reduction of the CSi group's net deferred tax asset as at 31 December 2012 of USD 139 million.

It is further proposed that the UK corporation tax rate applicable from 1 April 2014 will be 21%. This reduction is expected to be substantively enacted in July 2013. The effect of this reduction upon the CSi group's deferred tax balance cannot be reliably quantified at this stage.

In the UK budget announcement of 20 March 2013, the UK government announced its intention to further reduce the UK corporation tax rate to 20% with effect from 1 April 2015. This tax rate reduction is expected to be substantively enacted in 2014. The effect of this tax rate reduction upon CSi group's deferred tax balance cannot be reliably quantified at this stage.

In the first half of 2012, the UK and US tax authorities advised CS that they reached agreement on the CS Advanced Pricing Agreement ('APA') application for the period 2004-2011. The APA sets out the transfer pricing methodology which determines the allocation of profits and losses to be taxed in each jurisdiction. As a result of this agreement, CSi has reduced losses carried forward as at 31 December 2012 of USD 834 million and has recognised an income tax expense of USD 325 million and an overall reduction in CSi's net deferred tax asset of USD 335 million.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Deferred tax (USD million)** | | | | |
| Deferred tax assets | 1,450 | 1,843 | 1,450 | 1,843 |
| **Net position** | **1,450** | **1,843** | **1,450** | **1,843** |
| | | | | |
| Balance at 1 January | 1,843 | 1,935 | 1,843 | 1,935 |
| Transfers | - | 1 | - | 1 |
| (Expense)/credit to income for the year | (254) | 40 | (254) | 40 |
| Effect of change in tax rate expensed to income statement | (139) | (133) | (139) | (133) |
| **At end of the year** | **1,450** | **1,843** | **1,450** | **1,843** |

### Deferred tax assets

Deferred tax assets and liabilities are attributable to the following items:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Components of net deferred tax assets (USD million)** | | | | |
| Derivative financial instruments | 12 | 18 | 12 | 18 |
| Share-based compensation | 24 | 25 | 24 | 25 |
| Decelerated tax depreciation | 139 | 145 | 139 | 145 |
| Other provisions | 80 | 92 | 80 | 92 |
| Unpaid interest | 345 | 315 | 345 | 315 |
| Deferred tax impact on losses carried forward | 850 | 1,248 | 850 | 1,248 |
| **At end of the year** | **1,450** | **1,843** | **1,450** | **1,843** |

### Details of the tax effect of temporary differences

The deferred tax expense in the Statement of Income comprises the following temporary differences:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Tax effect of temporary differences (USD million)** | | | | |
| Derivative financial instruments | (6) | (6) | (6) | (6) |
| Share-based compensation | (1) | (79) | (1) | (79) |
| Decelerated tax depreciation | (6) | 9 | (6) | 9 |
| Other provisions | (13) | 78 | (13) | 78 |
| Unpaid interest | 30 | 70 | 30 | 70 |
| Deferred tax impact on losses carried forward | (397) | (164) | (397) | (164) |
| **Total deferred tax (expense)/benefit in the statement of income** | **(393)** | **(92)** | **(393)** | **(92)** |

Deferred tax assets ('DTA') and liabilities are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether DTA can be realised. Only if management considers it probable that a DTA will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether DTA can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the bank (primarily arising from the financial crisis that started in late 2008). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of DTA that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, it was considered that the DTA could be recognised in full. The Bank's assessment is that trading losses carried forward should be utilised within a period of up to 5 years. This assessment includes the adjustment for APA losses of USD 834 million which occurred in 2012 (referred to above). If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted, if full recovery of the DTA balance is no longer probable.

## 14. Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

| **Group and Bank** | **2012** | **2011** |
|---|---|---|
| **Securities borrowed or purchased under agreement to resell (USD million)** | | |
| Securities purchased under resale agreements | 19,966 | 24,637 |
| Deposits paid for securities borrowed | 4,137 | 4,769 |
| **Total securities borrowed or purchased under agreement to resell** | **24,103** | **29,406** |

The following table summarise the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Securities lent or sold under agreement to repurchase (USD million)** | | |
| Securities sold under repurchase agreements | 2,220 | 753 |
| Deposits received for securities lent | 2,654 | 6,218 |
| **Total securities lent or sold under agreement to repurchase** | **4,874** | **6,971** |

Securities borrowed, lent and subject to resale and repurchase agreements are mainly due within one year.

Repurchase and reverse repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The CSi group monitors the fair value of securities received or delivered. For securities purchased under repurchase agreements, the CSi group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSi group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSi group monitors the market value of securities borrowed and securities on a daily basis and additional collateral is obtained as necessary.

Retained assets relate to securities lending agreements and repurchase agreements. The resulting credit exposures are controlled by daily monitoring and collateralisation of the positions.

## 15. Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss

| | Group | | Bank | |
|---|---|---|---|---|
| **Trading financial assets at fair value through profit or loss (USD million)** | **2012** | **2011** | **2012** | **2011** |
| Debt securities | 34,896 | 28,751 | 34,796 | 28,744 |
| Equity securities | 14,557 | 14,647 | 13,716 | 13,592 |
| Derivative instrument | 506,232 | 529,346 | 506,587 | 530,064 |
| Other | 1,648 | 1,990 | 2,203 | 2,553 |
| **Trading financial assets at fair value through profit or loss** | **557,333** | **574,734** | **557,302** | **574,953** |

| | Group | | Bank | |
|---|---|---|---|---|
| **Trading financial liabilities at fair value through profit or loss (USD million)** | **2012** | **2011** | **2012** | **2011** |
| Short positions | 11,472 | 10,490 | 11,472 | 10,489 |
| Derivative instruments | 514,265 | 540,734 | 514,411 | 541,427 |
| **Trading financial liabilities at fair value through profit or loss** | **525,737** | **551,224** | **525,883** | **551,916** |

Debt instruments primarily consist of corporate bonds and government securities.
Trading financial assets include USD 32.6 billion (2011: USD 34.0 billion) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings.

## 16. Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

| | Group | | Bank | |
|---|---|---|---|---|
| **Financial assets designated at fair value through profit or loss (USD million)** | **2012** | **2011** | **2012** | **2011** |
| Debt securities | 80 | 98 | 80 | 98 |
| Loans | 10,447 | 11,550 | 10,447 | 11,550 |
| Securities purchased under resale agreements and securities borrowing transactions | 5,283 | 6,290 | 5,283 | 6,290 |
| Other | 4,318 | 763 | 4,318 | 763 |
| **Total financial assets designated at fair value through profit or loss** | **20,128** | **18,701** | **20,128** | **18,701** |

Of the financial assets designated at fair value through profit or loss, loans and reverse repurchase agreements were elected to alleviate an accounting mismatch while debt instruments were elected because they are managed on a fair value basis.

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2012 was USD 10.5 billion (2011: USD 11.5 billion). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 1.5 billion (2011: USD 3.7 billion) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2012, this fair value movement was an increase of USD 655 million (2011: decrease USD 185 million). The cumulative effect thereon at the year-end was a decrease of USD 1.1 billion (2011: decrease USD 1.8 billion). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was USD 84 million (2011: increase USD 215 million). The cumulative effect thereon at the year-end was an increase of USD 2.2 billion (2011: increase USD 2.1 billion).

For reverse repurchase agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to its counterparties. Also, given that the credit exposure is almost eliminated, the fair value changes attributable to credit risk is insignificant.

The debt instruments measured at fair value through profit or loss are government securities.

| | Group | | Bank | |
|---|---|---|---|---|
| **Financial liabilities designated at fair value through profit or loss (USD million)** | **2012** | **2011** | **2012** | **2011** |
| Subordinated debt | 296 | 433 | 296 | 433 |
| Structured notes (included in Long term debt and Short term borrowing) | 18,158 | 17,986 | 18,133 | 17,961 |
| Deposits | 4,611 | 2,300 | 4,785 | 2,300 |
| Securities sold under repurchase agreements and securities lending transactions | 10,773 | 8,573 | 10,773 | 8,573 |
| Other | 2,806 | 2,060 | 1,810 | 1,031 |
| **Total financial liabilities designated at fair value through profit or loss** | **36,644** | **31,352** | **35,797** | **30,298** |

Of the other financial liabilities designated at fair value through profit or loss, subordinated debt, bonds and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes and deposits were mainly elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSi group would issue similar instruments as of the reporting date.

The fair value of subordinated debt and structured notes is calculated using a yield curve which reflects the CSi group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSi group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

The carrying amount is USD 0.5 billion higher than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2011: USD 2.7 billion lower).

## 17. Other Loans and Receivables

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Loans (USD million)** | | | | |
| Real estate | 16 | 35 | 16 | 42 |
| Commercial and industrial loans | 1,069 | 1,582 | 1,073 | 1,582 |
| Financial institutions | 12,461 | 12,800 | 12,461 | 12,800 |
| Government and public institutions | - | 4 | - | 4 |
| **Gross loans** | **13,546** | **14,421** | **13,550** | **14,428** |
| ■ of which domestic | 12,053 | 12,138 | 12,053 | 12,138 |
| ■ of which foreign | 1,493 | 2,283 | 1,497 | 2,290 |
| Net unearned income | (19) | (19) | (19) | (19) |
| Allowance for loan losses | (18) | (59) | (18) | (61) |
| **Net loans** | **13,509** | **14,343** | **13,513** | **14,348** |
| **Gross impaired loans** | **37** | **72** | **37** | **72** |
| ■ of which loans with an individual allowance | 2 | 68 | 2 | 68 |
| ■ of which loans without an individual allowance | 35 | 4 | 35 | 4 |

Other loans and receivables due within one year for the CSi group and Bank, amounts to USD 557 million (2011: USD 937 million).

### Reconciliation of the allowance for loan losses by class

The following table sets forth the movements in the allowances for impairment losses on other loans and receivables:

| **Group** | **Banks** | **Customers** | **Total** |
|---|---|---|---|
| **Allowance for loan losses (USD million)** | | | |
| Balance at 1 January 2012 | (7) | (52) | (59) |
| ■ Additional allowances for impairment losses | (2) | (14) | (16) |
| ■ Reversal of allowances for impairment losses | 3 | 52 | 55 |
| Movement recognised in Consolidated Statement of Income | 1 | 38 | 39 |
| ■ Net write backs | - | 2 | 2 |
| **Balance at 31 December 2012** | **(6)** | **(12)** | **(18)** |
| | | | |
| Balance at 1 January 2011 | (6) | (63) | (69) |
| ■ Additional allowances for impairment losses | (3) | (44) | (47) |
| ■ Reversal of allowances for impairment losses | 2 | 22 | 24 |
| Movement recognised in Consolidated Statement of Income | (1) | (22) | (23) |
| ■ Net write backs | - | 33 | 33 |
| **Balance at 31 December 2011** | **(7)** | **(52)** | **(59)** |

| Bank | Banks | Customers | Total |
|---|---|---|---|
| **Allowance for loan losses (USD million)** | | | |
| Balance at 1 January 2012 | (7) | (54) | (61) |
| ▪ Additional allowances for impairment losses | (2) | (14) | (16) |
| ▪ Reversal of allowances for impairment losses | 3 | 52 | 55 |
| Movement recognised in Consolidated Statement of Income | 1 | 38 | 39 |
| ▪ Net write backs | - | 4 | 4 |
| **Balance at 31 December 2012** | **(6)** | **(12)** | **(18)** |
| Balance at 1 January 2011 | (6) | (63) | (69) |
| ▪ Additional allowances for impairment losses | (3) | (44) | (47) |
| ▪ Reversal of allowances for impairment losses | 2 | 22 | 24 |
| Movement recognised in Consolidated Statement of Income | (1) | (22) | (23) |
| ▪ Net write backs | - | 31 | 31 |
| **Balance at 31 December 2011** | **(7)** | **(54)** | **(61)** |

## 18. Investment Property

The CSi Group consolidates a number of SPEs which hold property. Investment properties are currently held at cost less depreciation and provision for impairment. Due to a fall in indicative open market value, an impairment charge of USD 14 million was taken to the Consolidated Statement of Income for the year. The fair value and carrying value amount were the same as at 31 December 2012.

| Group | 2012 | 2011 |
|---|---|---|
| **Investment property (USD million)** | | |
| Balance at the beginning of the year | 561 | |
| Reclassification from real estate held-for-sale | - | 561 |
| Depreciation charge for the year | (7) | - |
| Impairment charge for the year | (14) | - |
| Foreign Currency Translation | (22) | - |
| **Balance at the end of year** | **518** | **561** |

## 19. Other Assets and Other Liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Other assets (USD million)** | | | | |
| Brokerage receivables (refer to Note 20) | 2,057 | 2,407 | 2,053 | 2,407 |
| Interest and fees receivable | 203 | 477 | 514 | 769 |
| **Cash collateral on derivative instruments** | | | | |
| ▪ Banks | 24,580 | 24,826 | 24,580 | 24,826 |
| ▪ Customers | 26,783 | 27,814 | 26,783 | 27,814 |
| Other | 337 | 220 | 338 | 250 |
| **Other assets** | **53,960** | **55,744** | **54,268** | **56,066** |

Other assets are mainly due within one year.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Other liabilities (USD million)** | | | | |
| Brokerage payables (refer to Note 20) | 2,570 | 780 | 2,567 | 780 |
| Interest and fees payable | 974 | 1,311 | 1,299 | 1,623 |
| **Cash collateral on derivative instruments** | | | | |
| ■ Banks | 28,658 | 29,083 | 28,658 | 29,083 |
| ■ Customers | 11,718 | 10,601 | 11,718 | 10,601 |
| Failed sales | 259 | 272 | 259 | 272 |
| Share-based compensation liability | 103 | 92 | 109 | 92 |
| Other | 684 | 696 | 670 | 686 |
| **Other liabilities** | **44,966** | **42,835** | **45,280** | **43,137** |

## 20. Brokerage Receivables and Brokerage Payables

Brokerage receivables and payables included in the table below represent amounts due to and from banks, brokers and dealers as well as customers for varying transaction types. Included within these balances are margin accounts where cash has been deposited with an exchange, bank or broker to facilitate future transactions and where the CSi group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

The CSi group also enters into fully margined exchange traded derivatives such as futures and balance payable to or receivable from the exchange the next day are recorded in the brokerage balances. In addition the CSi group performs brokerage and clearance activities for clients where exchange fees are incurred and receivable from clients.

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Brokerage receivable (USD million)** | | | | |
| Due from customers | 650 | 304 | 646 | 304 |
| Due from banks, brokers and dealers | 1,407 | 2,103 | 1,407 | 2,103 |
| **Total brokerage receivables** | **2,057** | **2,407** | **2,053** | **2,407** |
| | | | | |
| **Brokerage payable (USD million)** | | | | |
| Due to customers | 278 | 182 | 275 | 182 |
| Due to banks, brokers and dealers | 2,292 | 598 | 2,292 | 598 |
| **Total brokerage payables** | **2,570** | **780** | **2,567** | **780** |

Included within payables are liabilities identified as client money. The CSi group and Bank held USD 391 million as at 31 December 2012 (2011: USD 110 million). This cash is recorded under 'Cash and due from banks' and the corresponding liability is included in 'Other liabilities'.

## 21. Significant Subsidiaries

### Significant subsidiaries:

| Bank | 2012 | 2011 |
|---|---|---|
| Investments in subsidiary undertakings (USD million) | 10 | 10 |

The subsidiary undertakings, direct and indirect, of the Bank at 31 December 2012, all of which are consolidated in these financial statements, are as follows:

| Bank | Country of Incorporation | % Equity Held |
|---|---|---|
| **Direct holdings:** | | |
| Credit Suisse First Boston International (USA), Inc. | United States | 100% |
| CSFB International Trading, L.L.C. | United States | 100% |

During 2012 Credit Suisse First Boston International Warrants Limited and Credit Suisse First Boston International (Holding) B.V. were liquidated and dissolved.

The business of all of the subsidiaries is complementary to the business of the Bank.

## 22. Intangible Assets

| Group and Bank 2012 | Customer list[1] | Internally developed software | Total |
|---|---|---|---|
| **Intangible assets (USD million)** | | | |
| **Cost:** | | | |
| Cost as at 1 January 2012 | 5 | 872 | 877 |
| Additions | - | 209 | 209 |
| Disposals | - | (6) | (6) |
| **Cost as at 31 December 2012** | **5** | **1,075** | **1,080** |
| | | | |
| **Accumulated amortisation:** | | | |
| Accumulated amortisation as at 1 January 2012 | - | (470) | (470) |
| Amortisation for the year | - | (149) | (149) |
| Impairment | - | - | - |
| Disposals | - | 4 | 4 |
| **Accumulated amortisation as at 31 December 2012** | **-** | **(615)** | **(615)** |
| | | | |
| **Net book value as at 1 January 2012** | 5 | 402 | 407 |
| **Net book value as at 31 December 2012** | **5** | **460** | **465** |

[1] The customer list acquired in 2011 in the course of the PFS acquisition of USD 5 million has been accounted for to date as intangible assets with finite useful lives which is amortised on a straight-line basis over a period of thirteen years.

| Group and Bank 2011 | Customer list | Internally developed software | Total |
|---|---|---|---|
| **Internally developed software (USD million)** | | | |
| **Cost:** | | | |
| Cost as at 1 January 2011 | - | 709 | 709 |
| Additions due to acquisition (refer Note 40) | 5 | - | 5 |
| Additions | - | 198 | 198 |
| Disposals | - | (35) | (35) |
| **Cost as at 31 December 2011** | **5** | **872** | **877** |
| | | | |
| **Accumulated amortisation:** | | | |
| Accumulated amortisation as at 1 January 2011 | - | (384) | (384) |
| Amortisation for the year | - | (117) | (117) |
| Impairment | - | (3) | (3) |
| Disposals | - | 34 | 34 |
| **Accumulated amortisation as at 31 December 2011** | **-** | **(470)** | **(470)** |
| | | | |
| **Net book value as at 1 January 2011** | - | 325 | 325 |
| **Net book value as at 31 December 2011** | **5** | **402** | **407** |

## 23. Property and Equipment

| Group 2012 | Leasehold Improvements | Computer Equipment | Office Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2012 | **528** | **228** | **142** | **898** |
| Additions | 12 | 24 | 2 | 38 |
| Disposals | (14) | (9) | (12) | (35) |
| **Cost as at 31 December 2012** | **526** | **243** | **132** | **901** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2012 | (341) | (161) | (99) | (601) |
| Charge for the year | (23) | (36) | (10) | (69) |
| Disposals | 13 | 9 | 12 | 34 |
| **Accumulated depreciation as at 31 December 2012** | **(351)** | **(188)** | **(97)** | **(636)** |
| | | | | |
| **Net book value as at 1 January 2012** | **187** | **67** | **43** | **297** |
| **Net book value as at 31 December 2012** | **175** | **55** | **35** | **265** |

| Bank<br>2012 | Leasehold<br>Improvements | Computer<br>Equipment | Office<br>Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2012 | **528** | **228** | **126** | **882** |
| Additions | 12 | 24 | 3 | 39 |
| Disposals | (14) | (9) | (12) | (35) |
| **Cost as at 31 December 2012** | **526** | **243** | **117** | **886** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2012 | (341) | (161) | (99) | (601) |
| Charge for the year | (23) | (36) | (10) | (69) |
| Disposals | 13 | 9 | 12 | 34 |
| **Accumulated depreciation as at 31 December 2012** | **(351)** | **(188)** | **(97)** | **(636)** |
| | | | | |
| **Net book value as at 1 January 2012** | **187** | **67** | **27** | **281** |
| **Net book value as at 31 December 2012** | **175** | **55** | **20** | **250** |

| Group<br>2011 | Leasehold<br>Improvements | Computer<br>Equipment | Office<br>Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2011 | 507 | 782 | 167 | 1,456 |
| Additions due to acquisition (refer Note 40) | 9 | - | 1 | 10 |
| Additions | 13 | 41 | 29 | 83 |
| Disposals | (1) | (595) | (55) | (651) |
| **Cost as at 31 December 2011** | **528** | **228** | **142** | **898** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2011 | (319) | (711) | (144) | (1,174) |
| Charge for the year | (23) | (43) | (10) | (76) |
| Disposals | 1 | 593 | 55 | 649 |
| **Accumulated depreciation as at 31 December 2011** | **(341)** | **(161)** | **(99)** | **(601)** |
| | | | | |
| **Net book value as at 1 January 2011** | **188** | **71** | **23** | **282** |
| **Net book value as at 31 December 2011** | **187** | **67** | **43** | **297** |

| Bank<br>2011 | Leasehold<br>Improvements | Computer<br>Equipment | Office<br>Equipment | Total |
|---|---|---|---|---|
| **Property and equipment (USD million)** | | | | |
| **Cost:** | | | | |
| Cost as at 1 January 2011 | 507 | 782 | 167 | 1,456 |
| Additions | 22 | 41 | 14 | 77 |
| Disposals | (1) | (595) | (55) | (651) |
| **Cost as at 31 December 2011** | **528** | **228** | **126** | **882** |
| | | | | |
| **Accumulated depreciation:** | | | | |
| Accumulated depreciation as at 1 January 2011 | (319) | (711) | (144) | (1,174) |
| Charge for the year | (23) | (43) | (10) | (76) |
| Disposals | 1 | 593 | 55 | 649 |
| **Accumulated depreciation as at 31 December 2011** | **(341)** | **(161)** | **(99)** | **(601)** |
| | | | | |
| **Net book value as at 1 January 2011** | **188** | **71** | **23** | **282** |
| **Net book value as at 31 December 2011** | **187** | **67** | **27** | **281** |

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its fellow subsidiaries for their own activities.

No interest has been capitalised within property and equipment (2011: USD Nil).

## 24. Deposits

| Group and Bank<br>Deposits (USD million) | 2012 | 2011 |
|---|---|---|
| Non-interest bearing demand deposits | 111 | 1,702 |
| Interest-bearing demand deposits | 2,082 | 2,021 |
| Time deposits | 2,651 | 728 |
| **Total deposits** | **4,844** | **4,451** |
| Of which due to banks | 2,811 | 2,465 |
| Of which due to customers | 2,033 | 1,986 |

## 25. Short Term Borrowings

| | Group | | Bank | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Short-term borrowings (USD million)** | | | | |
| Short term borrowings: | | | | |
| from banks | 20,690 | 23,713 | 20,690 | 23,713 |
| from customers | 9,028 | 9,029 | 9,052 | 9,053 |
| **Total short term borrowings** | **29,718** | **32,742** | **29,742** | **32,766** |

## 26. Provisions

| Group and Bank | Property | Litigation | Total |
|---|---|---|---|
| **Provisions (USD million)** | | | |
| Balance at 1 January 2012 | 4 | 22 | 26 |
| Charges during the year | - | 1 | 1 |
| Utilised during the year | - | (3) | (3) |
| **Balance at 31 December 2012** | **4** | **20** | **24** |

### Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

| Building | Provision | Utilisation period |
|---|---|---|
| 17 Columbus Courtyard, London | USD 1 million | 31 December 2024 |
| 5 Canada Square, London | USD 2 million | 31 December 2027 |
| Pall Mall, London | USD 1 million | 31 March 2018 |

### Litigation provision

The CSi group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are probable and reasonably estimable. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant.

The litigation provision relates to legal cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2012.

## 27. Long Term Debt

| | Group | | Bank | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| **Long term debt (USD million)** | | | | |
| Senior debt | 22,283 | 20,471 | 22,278 | 20,443 |
| Subordinated debt | 8,371 | 11,202 | 8,371 | 11,202 |
| **Total long term debt** | **30,654** | **31,673** | **30,649** | **31,645** |

The reduction in subordinated debt includes all the callable subordinated loans (provided by Credit Suisse PSL GmbH and Credit Suisse First Boston Finance B.V.) amounting to USD 2,964 million which have been redeemed and replaced by new participating shares, i.e. ordinary shares with no voting rights, as part of the capital restructuring in February 2012 (refer to Note – 28 Share Capital and Share Premium for further details).

## 28. Share Capital and Share Premium

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Authorised (USD)** | | |
| Ordinary voting shares of USD 0.1 each (31 December 2011: USD 1 each) | 13 | 125 |
| Participating non-voting shares of USD 0.1 each (31 December 2011: USD 1 each) | Unlimited | 7,224,999,375 |
| Class A Participating non-voting shares of USD 1 each | - | 500 |
| Preference Shares of USD25,000,000 each | - | 275,000,000 |
| Class A Preference Shares of USD 1 each | - | 250,000,000 |
| Class B Preference Shares of USD 1 each | - | 600,000,000 |
| Class C Preference Shares of USD 1 each | - | 800,000,000 |
| Class D Preference Shares of USD 1 each | - | 600,000,000 |
| Class E Preference Shares of USD 1 each | - | 700,000,000 |
| Class F Preference Shares of USD 1 each | - | 750,000,000 |
| Class G Preference Shares of USD 1 each | - | 800,000,000 |
| Class H Preference Shares of USD 1 each | - | 700,000,000 |
| Class I Preference Shares of USD 1 each | - | 1,500,000,000 |
| Class J Preference Shares of USD 1 each | - | 1,400,000,000 |
| Class K Preference Shares of USD 1 each | - | 200,000,000 |
| **Total authorised capital** | **13** | **15,800,000,000** |

### Share Capital

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Allotted, called-up and fully paid (USD)** | | |
| Ordinary voting shares of USD 0.1 each (31 December 2011: USD 1 each) | 13 | 125 |
| Participating non-voting shares of USD 0.1 each (31 December 2011: USD 1 each) | 3,107,655,992 | 4,389,568,088 |
| Class A Participating non-voting shares of USD 1 each | - | 200 |
| Class A Preference Shares of USD1 each | - | 250,000,000 |
| Class B Preference Shares of USD1 each | - | - |
| Class C Preference Shares of USD1 each | - | 350,000,000 |
| Class D Preference Shares of USD1 each | - | 300,000,000 |
| Class E Preference Shares of USD1 each | - | 535,000,000 |
| Class H Preference Shares of USD1 each | - | 700,000,000 |
| Class I Preference Shares of USD1 each | - | 1,500,000,000 |
| Class J Preference Shares of USD1 each | - | 1,400,000,000 |
| Class K Preference Shares of USD1 each | - | 200,000,000 |
| **Total allotted, called-up and fully paid capital** | **3,107,656,005** | **9,624,568,413** |

## Share Premium

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Share premium (USD)** | | |
| Opening balance | 1,016,106,287 | 1,016,106,287 |
| Reduction in face value of Ordinary shares | 112 | - |
| Transfer of Participating shares relating to capital restructuring | 3,950,611,279 | - |
| Transfer of Preference shares relating to capital restructuring | 5,235,000,000 | - |
| Issuance of Participating shares relating to capital restructuring | (581,666,666) | - |
| Conversion of subordinated debt to Participating shares relating to capital restructuring | 2,634,488,889 | - |
| Issuance of Participating shares | 444,444,444 | - |
| **Closing balance** | **12,698,984,345** | **1,016,106,287** |

As part of a restructuring of CSi's capital structure, the following transactions occurred during the year ended 31 December 2012:

On 3 February 2012, CSi passed a special resolution to undergo a capital restructuring in accordance with the Companies Act 2006. The purpose of the capital restructuring was to be compliant with regulatory capital requirements. The salient features of the restructure which took effect from 6 February 2012 were as follows:

- 125 Ordinary Voting shares of USD 1 were reduced to USD 0.1 per share, with USD 13 remaining in Share Capital and USD 112 transferred to Share Premium.
- 43,895,680,088 Participating non-voting shares of USD 1 were reduced to USD 0.1 per share, with USD 438,956,809 remaining in Share Capital and USD 3,950,611,279 transferred to Share Premium.
- 200 Class A Participating non-voting shares of USD 1 per share were cancelled.
- All preference shares in issue (class A, C, D, E, H, I, J and K) totalling USD 5,235,000,000 were replaced by new Participating shares. Share Capital increased by USD 581,666,666 as a result and Share Premium by USD 4,653,333,334.
- Subordinated Debt totalling USD 2,963,800,000 was repaid and replaced by Participating shares, with USD 329,311,111 credited to Share Capital and USD 2,634,488,889 credited to Share Premium.
- On 29 February 2012, CSi issued 555,555,555 Participating shares of USD 0.1 each allotted and issued in cash, with USD 55,555,556 credited to Share Capital and USD 444,444,444 credited to Share Premium.
- On 16 August 2012, Subordinated Debt totalling USD 202,165,852 was repaid and replaced by 2,021,658,519 Participating shares issued at par value USD 0.1 per share to improve the quality of capital in line with requirements of Basel III.
- On 6 November 2012 CSI issued 15,000,000,000 Participating Shares at par value of USD 0.1 per share in lieu of total cash consideration of USD 1,500,000,000.

The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

The Participating Shares do not carry voting rights but carry the right to receive dividends. In all other respects the Participating Shares and the Ordinary Shares rank pari passu.

## 29. Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by Credit Suisse Securities (Europe) Limited ('CSSEL'), of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2012 the Bank expensed USD 8.3 million (2011: USD 1.4 million) in respect of its contributions to the UK defined benefit scheme.

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2012 and 2011, and the amounts included in CSSEL's consolidated financial statements for the defined benefit pension plan as at 31 December 2012 and 2011 respectively:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Defined benefit pension plans (USD million)** | | |
| Defined benefit obligation – 1 January | 1,399 | 1,297 |
| Current service cost | 6 | 6 |
| Interest cost | 70 | 75 |
| Curtailments (1) | (7) | - |
| Actuarial losses – assumptions | 7 | 44 |
| Actuarial (gains)/ losses – experience | (2) | 6 |
| Benefit payments | (33) | (19) |
| Exchange rate losses/(gains) | 66 | (10) |
| **Defined benefit obligation – 31 December** | **1,506** | **1,399** |
| | | |
| Fair value of plan assets – 1 January | 1,858 | 1,404 |
| Expected return on plan assets | 130 | 109 |
| Actuarial gains | 19 | 380 |
| **Actual return on plan assets** | **149** | **489** |
| Employer Contributions | 93 | 10 |
| Benefit payments | (33) | (19) |
| Exchange rate losses/(losses) | 93 | (26) |
| **Fair value of plan assets – 31 December** | **2,160** | **1,858** |

(1) Curtailment impacts related to the headcount reduction in 2012 in the context of the cost efficiency program as announced by management.

The Bank has agreed the valuation and funding of the UK defined benefit pension plan with the Pension Fund Trustees as at 31 December 2011.

As per the 31 December 2011 valuation discussion with the Trustees, no additional special funding contributions are due to be paid to the pension fund. Contributions will be paid to cover administrative expenses, administration rebates and death in service pensions. Expected regular contributions to be paid to the UK defined benefit plan for all participating entities for the year ending 31 December 2013 is approximately USD 9 million.

## Assumptions

The assumptions used in the measurement of the defined benefit obligation and net periodic pension cost for the Credit Suisse UK pension plan as at 31 December were as follows:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Benefit obligations (%)** | | |
| Discount rate | 4.80 | 4.90 |
| Retail Price Inflation | 3.10 | 3.20 |
| Consumer Price Inflation | 2.40 | 2.20 |
| Pension increases [1] | 3.00 | 3.08 |
| Salary increases | 4.35 | 4.45 |
| **Net periodic pension cost (%)** | | |
| Discount rate | 4.90 | 5.60 |
| Salary increases | 4.45 | 4.70 |
| Expected long term rate of return on plan assets | 6.50 | 7.50 |

[1] Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which were considered to be Nil as of 31 December 2011.

## Mortality Assumptions

The assumptions for life expectancy for the 2012 benefit obligation pursuant to IAS 19 are based on the "SAPS light" base table with improvements in mortality in line with the core CMI 2011 projections and a scaling factor of 100%. Underpins to future mortality improvement have been considered with a long term year on year improvement of 1.25%.

The assumptions for life expectancy for the 2011 benefit obligation were based on the "00 Series" base table with improvements in mortality from 2000 in line with 80%/60% of the Long Cohort improvements for males/females, and a scaling factor of 90%. Underpins to future mortality improvement were also incorporated, the minimum year on year improvements being 1.25% p.a. The change in 2012 follows a mortality investigation carried out as part of the 31 December 2011 triennial funding valuation.

The post-retirement mortality assumptions are as follows:

| | 2012 | 2011 |
|---|---|---|
| Life expectancy at age 60 for current pensioners aged 60 (years) | | |
| ▪ Males | 29 | 29 |
| ▪ Females | 30 | 31 |
| Life expectancy at age 60 for future pensioners currently aged 40 (years) | | |
| ▪ Males | 31 | 32 |
| ▪ Females | 32 | 34 |

## Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation and total periodic pension cost would have had the following effects:

| | Increase USDM | Increase % | Decrease USDM | Decrease % |
|---|---|---|---|---|
| **Benefit obligation** | | | | |
| One-percentage point change | | | | |
| - 1%/ +1% Discount rate | 403 | 27 | (308) | (20) |
| +1% / -1% Inflation rate | 275 | 18 | (230) | (15) |
| +1% / -1% Salary increases rate | 10 | 1 | (10) | (1) |
| +1 / -1 year to life expectancy at 60 | 26 | 2 | (28) | (2) |
| | | | | |
| **Total periodic pension cost** | | | | |
| One-percentage point change | | | | |
| - 1% / +1% Expected return on assets | 20 | N/A | (20) | N/A |

## Plan assets and investment strategy

The Bank's defined benefit pension plan looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the Bank, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification. The Fund has a medium term target of hedging a large proportion of interest rate and inflation risk arising from liabilities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Bank's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

The Bank employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The expected rate of return on plan assets used for the computation of the 2012 expenses was derived by aggregating the expected return for each asset class over the target asset allocation for the Fund as at 31 December 2011.

| | Fair value 2012 | % of total fair value of scheme assets 2012 | Fair value 2011 | % of total fair value of scheme assets 2011 |
|---|---|---|---|---|
| **Fair value of plan assets (USD million)** | | | | |
| Equity securities[1] | 465 | 21.5 | 657 | 35.4 |
| Debt securities | 1,027 | 47.5 | 770 | 41.4 |
| Alternative Investments (primarily Swaps) | 263 | 12.2 | 378 | 20.3 |
| Cash | 405 | 18.8 | 53 | 2.9 |
| **Fair value of plan assets** | **2,160** | **100** | **1,858** | **100.0** |

1 Including investment in unit trust product as of December 31, 2012 and 2011 for USD 210m and 312m, respectively, (mutual funds type of investment) which are reported under the category Equity securities as per the Bank policy but are not considered as Equity type of investment in the context of the investment strategy.

### Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2012 and 2011 were USD 14 million and USD 16 million respectively.

## 30. Employee Share-based Compensation and Other Compensation Benefits

Payment of share-based compensation and other compensation benefits is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Bank. It is the Bank's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, moratorium periods and certain other terms. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2012 and 2011 was USD 66 million and USD 56 million respectively. The total stock award liability recorded as at 31 December 2012 was USD103 million (2011: USD 92 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2012 CHF 22.26 (2011: CHF 22.07). The average weighted fair value of awards granted in 2012 was CHF 22.26 (2011: CHF 40.75). The intrinsic value of vested share based awards outstanding as at year end was USD19 million (2011: USD12 million).

### Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related claw-back provisions. Performance share awards vest over three years, such that one third of the share awards vest on each of the three anniversaries of the date of the award. Each performance share award granted entitles the holder of award to receive one CSG share. Unlike the Phantom share awards, however, the unvested performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative CSG ROE. Unvested performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. Performance share awards include a two-year moratorium on early retirement, determined from the grant date.

The fair value of each Jan 2013 Performance Share award was CHF 26.44, equivalent to the CSG's closing share price on the grant date.

Movements in the number of units outstanding were as follows:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Number of units (millions)** | | |
| As at 1 January | - | - |
| Granted | 1.09 | - |
| Share transferred in/out | 0.03 | - |
| Delivered | - | - |
| Forfeited | (0.12) | - |
| **As at 31 December** | **1.00** | **-** |

## Phantom Share Awards

Share awards granted in January 2013 are similar to those granted in January 2012 and are awarded to certain employees in the Bank. The share awards, which have a three-year vesting period, align the interests of the Bank's employees with those of the shareholders and the performance of the Bank and comply with the expectations of regulators to grant a substantial portion of variable compensation in the form of share awards. Each share award granted entitles the holder of the award to receive one CSG share and does not contain a leverage component or a multiplier effect. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a CSG share over the twelve business days ended January 16, 2013. One third of the share awards vests on each of the three anniversaries of the grant date. The value of these share awards is solely dependent on the CSG share price at the time of delivery. Share awards granted in January 2011 have a four-year vesting period and vest one quarter on each of the four anniversaries of the grant date. Share awards include a two-year moratorium on early retirement, determined from the grant date.

The fair value of each January 2013 share award was CHF 26.44, equivalent to the CSG's closing share price on the grant date.

The share awards include other awards, such as blocked shares, and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, subject to continued employment with the Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

In order to comply with regulatory requirements, the CSG awarded an alternative form of share awards as a component of unrestricted cash to certain senior employees. For 2012, 2011 and 2010, these employees received a portion of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. Blocked shares granted on January 17, 2013 vest immediately upon grant, have no future service requirements and were attributed to services performed in 2012.

Movements in the number of units outstanding were as follows:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Number of units (millions)** | | |
| As at 1 January | 2.58 | 1.13 |
| Granted | 1.75 | 2.44 |
| Share transferred out | 0.07 | (0.12) |
| Delivered | (1.10) | (0.70) |
| Forfeited | (0.25) | (0.17) |
| **As at 31 December** | **3.05** | **2.58** |

### Plus Bond awards

Certain employees received a portion of their deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of London Interbank Offered Rate plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of approximately USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of CSG's Investment Banking division. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into a CSG share award. Similar to the PAF2 awards, the Plus Bond award plan contributes to a reduction of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

The Plus Bonds were fully vested and expensed as of the grant date of December 31, 2012. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the Plus Bond awards until the awards are finally settled. Total compensation expense recognised during the year ended December 31, 2012 was USD15 million. There is no unrecognised compensation expense as of December 31, 2012.

Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bonds provided to employees through the voluntary reallocate offer will vest on January 17, 2016 and will be expensed over the vesting period. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the Plus Bond awards until the awards are finally settled. Total compensation expense recognised during the year ended December 31, 2012 was USD nil.

### 2012 Restricted Cash Awards

Certain employees received the cash component of their variable compensation in the form of 2012 Restricted Cash Awards. These awards are fully settled in cash on the grant date subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant.

On January 17, 2013, the Bank granted Restricted Cash Awards with a three-year vesting period, subject to early retirement rules. Total compensation expense recognised during the year ended December 31, 2012 was USD NIL.

On January 20, 2011, the Bank granted Restricted Cash Awards with a two-year vesting period. Total compensation expense recognised during the year ended December 31, 2012 was USD 4 million (2011: USD 24 million). There is no unrecognised compensation expense as of December 31, 2012.

### 2011 Partner Asset Facility ('PAF2')

As part of the 2011 annual compensation process, CSG awarded a portion of their deferred variable compensation for certain employees in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, the majority of which are in CSi, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realised credit losses from a specific reference portfolio exceeds a pre-defined threshold. CSi will bear the first USD 500 million of any losses. PAF2 holders, across a number of CS group entities including CSi, will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.

Certain employees received PAF2 awards which vested in the first quarter of 2012. The award holders are subject to non-compete and non-solicit provisions that result in the cancellation of the award upon voluntary termination of employment for three years from the grant date.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either CSG or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% (USD-denominated awards) applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. CSG can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

In January 2012, CSG awarded PAF2 units and the associated compensation expenses were fully expensed in the first quarter of 2012 as the awards were fully vested as of March 31, 2012. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled. Total compensation expense recognised during the year ended December 31, 2012 was USD 34 million (2011: USD NIL). There is no unrecognised compensation expense as of December 31, 2012.

### Adjustable Performance Plan Awards ('APPA')

The Adjustable Performance Plan is a deferred, cash-based plan for certain employees. CSG introduced and granted Adjustable Performance Plan awards as part of deferred compensation for 2009 and 2010 (2010 Adjustable Performance Plan). The 2009 Adjustable Performance Plan awards are fully vested and were fully expensed as of December 31, 2012 and will be due for delivery in the first half of 2013.

The 2010 Adjustable Performance Plan awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and CSG ROE.

The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to CSG ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applies for that year and is greater than the divisional adjustment. For employees in Shared Services and other support functions all outstanding Adjustable Performance Plan awards are linked to CSG's adjusted profit or loss and CSG ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support.

In 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Total compensation expense recognised for Adjustable Performance Plan cash awards during the year ended December 31, 2012 was USD18 million (2011: USD 70 million).

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **APP Stock Awards (millions)** | | |
| As at 1 January | - | - |
| Granted | 0.81 | - |
| Share transferred in/out | - | - |
| Delivered | - | - |
| Forfeited | - | - |
| **As at 31 December** | **0.81** | **-** |

## Scaled Incentive Share Unit ('SISU')

The Scaled Incentive Share Units ("SISUs") plan is a share-based, long-term incentive plan. SISUs were granted in January 2010 as part of 2009 variable deferred compensation. SISUs are similar to ISUs (refer to Incentive Share Unit) except with four-year vesting, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The base component of the SISUs awarded on the grant date will vest equally over the four-year vesting period whereas the leverage component will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to the CSG average ROE and if the CSG average ROE over the four-year period is higher than a pre-set target established at the grant date, the number of additional shares calculated by reference to the average CSG share price increase will be adjusted positively, and if it is below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year period is therefore determined first on the basis of the CSG share price development (share price multiplier) and then on the basis of the CSG average ROE development (ROE multiplier). CSG shares are delivered shortly after the SISU base component and SISU leverage component vest. SISUs include a two-year moratorium on early retirement, determined from the grant date.

The fair value of the 2010 SISU base unit was CHF 50.30 and the fair value of the 2010 SISU leverage units was CHF 13.44. For the SISUs granted in January 2010, the number of additional shares per SISU was capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5.

Movements in the number of SISUs outstanding were as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Base | Leverage | Base | Leverage |
| **SISU Awards (USD million)** | | | | |
| As at 1 January | 0.92 | 1.07 | 1.35 | 1.33 |
| Granted | - | - | - | - |
| Share transferred in/out | - | - | (0.05) | (0.04) |
| Delivered | (0.32) | - | (0.34) | - |
| Forfeited | - | (0.16) | (0.04) | (0.22) |
| **As at 31 December** | **0.60** | **0.91** | **0.92** | **1.07** |

## Incentive Share Unit ('ISU')

The Incentive Share Units ("ISUs") were the main form of share-based variable deferred compensation for all employees from 2006 to 2009. An ISU is similar to a share, but offers additional upside depending on the development of the CSG share price, compared to predetermined targets set on the grant date. For each ISU granted, the employee will receive at least one CSG share (ISU base unit) over a three-year period vesting and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price at grant date. One third of the ISU base units vests at the first anniversary of the grant date, one third at the second anniversary of the grant date and one third at the third anniversary. The ISU leverage units vest only on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest. ISUs include a two-year moratorium on early retirement, determined after the grant date. For the ISUs granted in January 2010, the number of additional shares per ISU was capped at a maximum of three times the grant value, with a delivery of no more than five shares.

In 2012, the ISU leverage granted in 2009 were settled with a value for each outstanding leverage unit equivalent to 0.986 CSG shares. In 2011, the ISU leverage units granted in 2008 were settled but did not have a value at settlement as the CSG share price performance was below the minimum predefined target of CHF 58.45.

Movements in the number of ISUs outstanding were as follows:

| **Group and Bank** | **2012** | | **2011** | |
|---|---|---|---|---|
| | **Base** | **Leverage** | **Base** | **Leverage** |
| **ISU Awards (millions)** | | | | |
| As at 1 January | 0.58 | 1.22 | 2.00 | 3.68 |
| Granted | - | - | - | - |
| Share transferred in/out | - | - | (0.02) | (0.03) |
| Delivered | (0.44) | (0.81) | (1.33) | (2.12) |
| Forfeited | (0.03) | (0.10) | (0.07) | (0.31) |
| **As at 31 December** | **0.11** | **0.31** | **0.58** | **1.22** |

### Cash Retention Awards ('CRA')

For 2008, certain employees received deferred compensation in the form of Cash Retention Awards (CRA). These CRA payments, which were made in the first quarter of 2009, were subject to vesting rateably over a two-year period and other conditions, and any unvested CRA would have had to be repaid if a claw-back event, such as voluntary termination of employment, occurred. These awards were fully vested in January 2011.

### 2008 Partner Asset Facility ('PAF')

As part of the 2008 annual compensation process, the Bank awarded senior employees of certain divisions the majority of the deferred compensation in the form of 2008 PAF awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in CSG Investment Banking.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from CSG's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. All PAF awards remain subject to non-compete/non-solicit provisions that expire in respect of one-third of the awards on each of the three anniversaries of the grant date. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the date of grant, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Compensation expense will be updated at each reporting period date to reflect any change in the underlying fair value of the PAF awards until the awards are finally settled. Total compensation expense / (gain) recognised during the year ended 31 December 2012 was USD 21 million (2011: (USD1 million)). There is no unrecognised compensation expense as of 31 December 2012.

Effective 31 December 2011, existing PAF holders were given a voluntary election to make a value-for-value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. There was no impact on compensation expense for 2011.

### Performance Incentive Plan units (PIPs)

As part of its annual incentive performance bonus process for 2004 and 2005, the Bank granted PIP share units during 2005 and 2006, respectively. PIP units are long-term retention incentive awards requiring continued employment with the Bank subject to restrictive covenants and cancellation provisions, and vest evenly over a five-year period. Each PIP unit settled for a specified number of registered CSG shares subsequent to the fifth anniversary of the grant date based on the achievement of: (i) earnings performance as compared to predefined targets (performance conditions); and (ii) CSG share price performance compared to predefined targets and CSG share price performance relative to peers (market conditions). The performance conditions determine the multiplier used to convert the initial PIP units into the final number of PIP units. The market conditions determine the number of CSG shares that each final PIP unit will convert into at settlement.

The PIP II units granted in 2006 were settled in 2011 and did not have a value at settlement. This was due to the CSG share price performance being below the minimum predefined target of CHF 47.

Movements in the number of PIP units outstanding were as follows:

| **Group and Bank** | **2012** | **2011** |
|---|---|---|
| **PIP Units (millions)** | | |
| As at 1 January | - | 0.20 |
| Granted | - | - |
| Share transferred out | - | - |
| Delivered | - | (0.20) |
| Forfeited | - | - |
| **As at 31 December** | **-** | **-** |

## 31. Related Parties

The CSi group is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The CSi group's parent company, which holds a majority of the voting rights in the undertaking, is Credit Suisse AG, which is incorporated in Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, repurchase or repurchase agreements. In addition, the ordinary, preference and participating shares are issued to CSG and subsidiaries of CSG, as outlined in Note 28 – Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

In addition to the above, liabilities due to the CS group's own defined benefit pension funds as of 31 December 2012 of USD 274 million (2011: USD 391 million) are reflected in the CSi group's Consolidated Statement of Financial Position.

## a) Related party assets and liabilities

| Group | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Total | Parent | Fellow group companies | Total |
| **Assets (USD million)** | | | | | | |
| Cash and due from banks | 115 | 16,567 | 16,682 | 55 | 13,233 | 13,288 |
| Interest-bearing deposits with banks | - | 2,525 | 2,525 | - | 1,496 | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 23,629 | 23,629 | 2 | 29,311 | 29,313 |
| Trading financial assets at fair value through profit or loss | 4,819 | 36,292 | 41,111 | 5,280 | 45,060 | 50,340 |
| Financial assets designated at fair value through profit or loss | 8 | 4,954 | 4,962 | 266 | 5,872 | 6,138 |
| Other loans and receivables | - | 12,049 | 12,049 | - | 12,029 | 12,029 |
| Other assets | 3 | 8,227 | 8,230 | 38 | 9,640 | 9,678 |
| Current tax asset | - | - | - | - | 36 | 36 |
| Intangible assets | - | - | - | - | 3 | 3 |
| **Total assets** | **4,945** | **104,243** | **109,188** | **5,641** | **116,680** | **122,321** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | | |
| Deposits | 1 | 2,243 | 2,244 | 31 | 1,681 | 1,712 |
| Securities sold under repurchase agreements and securities lending transactions | - | 4,874 | 4,874 | - | 6,950 | 6,950 |
| Trading liabilities at fair value through profit or loss | 2,194 | 38,713 | 40,907 | 2,820 | 48,336 | 51,156 |
| Financial liabilities designated at fair value through profit or loss | 13 | 12,790 | 12,803 | 23 | 9,839 | 9,862 |
| Short term borrowings | - | 29,717 | 29,717 | - | 32,742 | 32,742 |
| Long term debt | - | 30,534 | 30,534 | - | 31,545 | 31,545 |
| Other liabilities | 2 | 3,545 | 3,547 | 25 | 2,529 | 2,554 |
| Share capital | 855 | 2,253 | 3,108 | 998 | 8,627 | 9,625 |
| Share premium | 4,491 | 8,208 | 12,699 | 108 | 908 | 1,016 |
| **Total liabilities** | **7,556** | **132,877** | **140,433** | **4,005** | **143,157** | **147,162** |

| Bank | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Subsidiaries and SPEs | Total | Parent | Fellow group companies | Subsidiaries and SPEs | Total |
| **Assets (USD million)** | | | | | | | | |
| Cash and due from banks | 115 | 16,567 | - | 16,682 | 55 | 13,233 | - | 13,288 |
| Intangible assets | - | - | - | - | - | 3 | - | 3 |
| Interest-bearing deposits with banks | - | 2,525 | - | 2,525 | - | 1,496 | - | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | - | 23,629 | - | 23,629 | 2 | 29,311 | - | 29,313 |
| Trading assets at fair value through profit or loss | 4,819 | 36,292 | 889 | 42,000 | 5,280 | 45,060 | 1,293 | 51,633 |
| Financial assets designated at fair value through profit or loss | 8 | 4,954 | - | 4,962 | 266 | 5,872 | - | 6,138 |
| Other loans and receivables | - | 12,049 | - | 12,049 | - | 12,029 | - | 12,029 |
| Other assets | 3 | 8,236 | 302 | 8,541 | 38 | 9,635 | 301 | 9,974 |
| Investments in subsidiary undertakings | - | - | 10 | 10 | - | - | 10 | 10 |
| Current tax assets | - | - | - | - | - | 36 | - | 36 |
| **Total assets** | **4,945** | **104,252** | **1,201** | **110,398** | **5,641** | **116,675** | **1,604** | **123,920** |
| | | | | | | | | |
| **Liabilities (USD million)** | | | | | | | | |
| Deposits | 1 | 2,243 | - | 2,244 | 31 | 1,681 | - | 1,712 |
| Securities sold under repurchase agreements and securities lending transactions | - | 4,874 | - | 4,874 | - | 6,950 | - | 6,950 |
| Trading liabilities at fair value through profit or loss | 2,194 | 38,713 | 75 | 40,982 | 2,820 | 48,336 | 578 | 51,734 |
| Financial liabilities designated at fair value through profit or loss | 13 | 12,790 | - | 12,803 | 23 | 9,839 | - | 9,862 |
| Short term borrowings | - | 29,717 | 24 | 29,741 | - | 32,742 | 24 | 32,766 |
| Long term debt | - | 30,534 | - | 30,534 | - | 31,542 | - | 31,542 |
| Other liabilities | 2 | 3,545 | 32 | 3,875 | 25 | 2,529 | 315 | 2,869 |
| Share capital | 855 | 2,253 | - | 3,108 | 998 | 8,627 | - | 9,625 |
| Share premium | 4,491 | 8,208 | - | 12,699 | 108 | 908 | - | 1,016 |
| **Total liabilities** | **7,556** | **132,877** | **427** | **140,860** | **4,005** | **143,154** | **917** | **148,076** |

## b) Related party revenues and expenses

| Group (USD million) | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Total | Parent | Fellow group companies | Total |
| Interest income | - | 448 | 448 | 23 | 373 | 396 |
| Interest expense | - | (1,089) | (1,089) | - | (1,051) | (1,051) |
| **Net interest expense** | **-** | **(641)** | **(641)** | **23** | **(678)** | **(655)** |
| Commissions and fees | 5 | (161) | (156) | - | (217) | (217) |
| Revenue sharing agreements expense | (14) | (720) | (734) | (17) | (441) | (458) |
| Other Revenue | - | 5 | 5 | - | 8 | 8 |
| **Total non-interest revenues** | **(9)** | **(876)** | **(885)** | **(17)** | **(650)** | **(667)** |
| **Net operating income** | **(9)** | **(1,517)** | **(1,526)** | **6** | **(1,328)** | **(1,322)** |
| **Total operating expenses** | **-** | **(125)** | **(125)** | **(1)** | **(800)** | **(801)** |

## c) Remuneration

### Disclosure required by the Companies Act 2006

### Remuneration of Directors

| | 2012 USD'000 | 2011 USD'000 |
|---|---|---|
| Emoluments | 2,619 | 3,681 |
| Long term incentive schemes: | | |
| ■ Amounts paid under Deferred Cash Awards | 4,020 | 2,462 |
| ■ Amounts delivered under Shared Based Awards | 4,894 | 5,703 |
| **Total** | **11,533** | **11,846** |
| Compensation for loss of office | 4,393 | - |
| Bank's contributions to defined contribution and benefits plan | 131 | 140 |
| **Total** | **16,057** | **11,986** |

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 6,641,000 (2011: USD 2,671,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 11,000 (2011: USD 7,000). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for directors in accordance with IFRS requirements for 2012 was USD 15,915,000 (2011: USD 11,729,000).

## d) Number of Directors and Benefits

| | **2012** | **2011** |
|---|---|---|
| **Number of Directors** | | |
| Retirement benefits are accruing to the following number of Directors under: | | |
| Defined contribution schemes | 2 | 6 |
| No scheme | 3 | 1 |
| Both defined contribution and defined benefit | 4 | 5 |
| | | |
| The number of Directors who exercised share options | - | - |
| | | |
| **Directors in respect of whom services were received or receivable under long term incentive schemes** | **9** | **12** |

## e) Remuneration of Key Management Personnel

| | **2012** | **2011** |
|---|---|---|
| **Remuneration of Key Management Personnel (USD' 000)** | | |
| Emoluments | 8,184 | 10,314 |
| Long term incentive schemes | 24,478 | 17,991 |
| **Total** | **32,662** | **28,305** |
| Compensation for loss of office | 5,293 | - |
| Bank's contributions to defined contribution and benefits plan | 243 | 572 |
| **Total** | **38,198** | **28,877** |

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

### CSG Shares awarded to Key Management Personnel

| | 2012 | 2011 |
|---|---|---|
| Number of other shares | 1,011,321 | 575,673 |

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the Company's Act disclosures above, which are disclosed in the period in which they vest and are delivered.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSi group, directly or indirectly, including any director of the CSi group.

Key management personnel include Directors and the members of EMEA ('Europe, Middle East and Africa') Operating Committee.

### f) Loans and Advances to Directors and Key Management Personnel

There were no loans outstanding to or due from Directors or key management personnel of the CSi group at 31 December 2012 (2011: USD Nil).

## 32. Employees

The average number of persons employed during the year was as follows:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| Front office | 380 | 417 |
| Back office | 439 | 504 |
| **Total** | **819** | **921** |

The CSi group receives a range of services from related companies, in particular from fellow subsidiary Credit Suisse Securities (Europe) Limited which is the primary Credit Suisse employing entity in the UK. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers. Staff costs and staff numbers do not differ between Bank and CSi group.

## 33. Derivatives and Hedging Activities

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

Furthermore, the Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivatives features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contract is entered into, the Bank designates the derivative as belonging to one of the following categories:

- a trading activity;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the fair value of a recognised asset or liability.

### Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as at 31 December 2012 were used for trading activities.

### Economic Hedges

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

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities; and
- credit derivatives to manage credit risk on certain loan portfolios.

The following table sets forth details of trading derivatives instruments:

| Group | 2012 | | 2011 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Trading derivatives instruments (USD million)** | | | | |
| Forwards and forward rate agreements | 1,997 | 1,960 | 2,666 | 2,371 |
| Swaps | 708,749 | 699,803 | 716,621 | 707,041 |
| Options bought and sold (OTC) | 68,235 | 68,472 | 70,179 | 70,751 |
| Options bought and sold (traded) | 183 | 100 | 274 | 160 |
| **Interest rate products** | **779,164** | **770,335** | **789,740** | **780,323** |
| Forwards and forward rate agreements | 10,144 | 10,358 | 6,628 | 7,033 |
| Swaps | 36,213 | 51,757 | 37,708 | 55,902 |
| Options bought and sold (OTC) | 9,942 | 10,447 | 10,502 | 10,739 |
| **Foreign exchange products** | **56,299** | **72,562** | **54,838** | **73,674** |
| Forwards and forward rate agreements | 885 | 1,135 | 1,338 | 1,393 |
| Swaps | 1 | 2 | - | - |
| Options bought and sold (OTC) | 526 | 545 | 900 | 879 |
| **Precious metals products** | **1,412** | **1,682** | **2,238** | **2,272** |
| Forwards and forward rate agreements | 2 | 1 | 22 | 1 |
| Swaps | 4,268 | 5,600 | 5,322 | 4,913 |
| Options bought and sold (OTC) | 11,910 | 12,248 | 14,700 | 15,323 |
| Options bought and sold (traded) | 13,890 | 13,651 | 17,400 | 19,826 |
| **Equity/indexed-related products** | **30,070** | **31,500** | **37,444** | **40,063** |
| Swaps | 39,345 | 38,863 | 72,707 | 71,194 |
| Options bought and sold (OTC) | 36 | 35 | 74 | 42 |
| **Credit products** | **39,381** | **38,898** | **72,781** | **71,236** |
| Forwards and forward rate agreements | 75 | 96 | 561 | 526 |
| Swaps | 2,014 | 1,674 | 4,816 | 4,898 |
| Options bought and sold (OTC) | 974 | 804 | 1,191 | 932 |
| Options bought and sold (traded) | 817 | 1,024 | 1,225 | 1,495 |
| **Other products** | **3,880** | **3,598** | **7,793** | **7,851** |
| **Total trading derivative instruments** | **910,206** | **918,575** | **964,834** | **975,419** |

| Bank | 2012 | | 2011 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Trading derivatives instruments (USD million)** | | | | |
| Forwards and forward rate agreements | 1,997 | 1,960 | 2,666 | 2,371 |
| Swaps | 708,915 | 699,829 | 716,760 | 707,055 |
| Options bought and sold (OTC) | 68,235 | 68,472 | 70,178 | 70,751 |
| Options bought and sold (traded) | 183 | 100 | 274 | 160 |
| **Interest rate products** | **779,330** | **770,361** | **789,878** | **780,337** |
| Forwards and forward rate agreements | 10,144 | 10,358 | 6,628 | 7,033 |
| Swaps | 36,313 | 51,757 | 38,153 | 56,211 |
| Options bought and sold (OTC) | 9,942 | 10,447 | 10,501 | 10,739 |
| **Foreign exchange products** | **56,399** | **72,562** | **55,282** | **73,983** |
| Forwards and forward rate agreements | 885 | 1,135 | 1,338 | 1,393 |
| Swaps | 1 | 2 | - | - |
| Options bought and sold (OTC) | 526 | 545 | 900 | 879 |
| **Precious metals products** | **1,412** | **1,682** | **2,238** | **2,272** |
| Forwards and forward rate agreements | 2 | 1 | 22 | 1 |
| Swaps | 4,268 | 5,625 | 5,322 | 5,113 |
| Options bought and sold (OTC) | 11,910 | 12,248 | 14,700 | 15,328 |
| Options bought and sold (traded) | 13,890 | 13,651 | 17,400 | 19,824 |
| **Equity/indexed-related products** | **30,070** | **31,525** | **37,444** | **40,266** |
| Swaps | 39,345 | 38,863 | 72,707 | 71,194 |
| Options bought and sold (OTC) | 36 | 35 | 74 | 42 |
| **Credit products** | **39,381** | **38,898** | **72,781** | **71,236** |
| Forwards and forward rate agreements | 163 | 103 | 694 | 526 |
| Swaps | 2,014 | 1,674 | 4,817 | 4,924 |
| Options bought and sold (OTC) | 974 | 893 | 1,191 | 1,073 |
| Options bought and sold (traded) | 817 | 1,024 | 1,225 | 1,495 |
| **Other products** | **3,968** | **3,694** | **7,927** | **8,018** |
| **Total trading derivative instruments** | **910,560** | **918,722** | **965,550** | **976,112** |

| Group | 2012 | | 2011 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Replacement values (USD million)** | | | | |
| Replacement values (trading and hedging) before netting | 910,206 | 918,575 | 964,834 | 975,419 |
| Replacement values (trading and hedging) after netting | 506,232 | 514,265 | 529,346 | 540,734 |

| Bank | 2012 | | 2011 | |
|---|---|---|---|---|
| | Positive replacement value | Negative replacement value | Positive replacement value | Negative replacement value |
| **Replacement values (USD million)** | | | | |
| Replacement values (trading and hedging) before netting | 910,560 | 918,721 | 965,550 | 976,112 |
| Replacement values (trading and hedging) after netting | 506,587 | 514,411 | 530,064 | 541,427 |

## 34. Guarantees and Commitments

The following tables set forth details of contingent liabilities associated with guarantees and other commitments:

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| **31 December 2012** | **<1 year** | **1-3 years** | **3-5 years** | **>5 years** | **amount** | **received** | **collateral** |
| **Guarantees (USD million)** | | | | | | | |
| Credit guarantees and similar instruments | 204 | 659 | - | - | 863 | 19 | 844 |
| Performance guarantees and similar instruments | 3 | 92 | - | - | 95 | - | 95 |
| **Total guarantees** | **207** | **751** | **-** | **-** | **958** | **19** | **939** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| **31 December 2012** | **<1 year** | **1-3 years** | **3-5 years** | **>5 years** | **amount** | **received** | **collateral** |
| **Other commitments (USD million)** | | | | | | | |
| Irrevocable commitments under documentary credit | 7 | 25 | - | - | 32 | - | 32 |
| Loan commitments | 5,732 | 4,633 | 1,516 | 19 | 11,900 | 52 | 11,848 |
| **Total other commitments** | **5,739** | **4,658** | **1,516** | **19** | **11,932** | **52** | **11,880** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| **31 December 2011** | **<1 year** | **1-3 years** | **3-5 years** | **>5 years** | **amount** | **received** | **collateral** |
| **Guarantees (USD million)** | | | | | | | |
| Credit guarantees and similar instruments | 107 | 1,274 | 300 | - | 1,681 | 175 | 1,506 |
| Performance guarantees and similar instruments | 31 | 1,261 | - | - | 1,292 | - | 1,292 |
| **Total guarantees** | **138** | **2,535** | **300** | **-** | **2,973** | **175** | **2,798** |

| Group and Bank | Maturity | | | | Total gross | Collateral | Net of |
|---|---|---|---|---|---|---|---|
| **31 December 2011** | **<1 year** | **1-3 years** | **3-5 years** | **>5 years** | **amount** | **received** | **collateral** |
| **Other commitments (USD million)** | | | | | | | |
| Irrevocable commitments under documentary credit | 10 | 63 | 29 | - | 102 | - | 102 |
| Loan commitments | 3,801 | 4,316 | 1,579 | 281 | 9,977 | 307 | 9,670 |
| **Total other commitments** | **3,811** | **4,379** | **1,608** | **281** | **10,079** | **307** | **9,772** |

Credit guarantees are contracts that require the CSi group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSi group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Loan commitments include unused credit facilities that cannot be revoked at any time without prior notice.

### Lease Commitments

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Operating lease commitments (USD million)** | | |
| Up to 1 year | 105 | 68 |
| From 1 year and no later than 5 years | 423 | 270 |
| From 5 years and over | 1,286 | 600 |
| **Future operating lease commitments** | **1,814** | **938** |
| Less minimum non-cancellable sublease rentals | (145) | (173) |
| **Total net future minimum operating lease commitments** | **1,669** | **765** |

The future operating lease commitments include service charges of USD 17.2 million (2011: USD 13.6 million).

The following table sets forth details of rental expenses for all operating leases:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Net rental expense (USD million)** | | |
| Minimum rentals | 100 | 67 |
| Sublease rental income | (88) | (42) |
| **Total net rental expenses** | **12** | **25** |

### Contingent Liabilities and Other Commitments

The Bank is party to various legal proceedings as part of its normal course of business. The Directors of the Bank believe that the aggregate liability, if any, resulting from these proceedings will not materially prejudice the financial position of the Bank and have been provided for where deemed necessary or in accordance with accounting policy.

## 35. Securitisations, Special Purpose Entities and Other Structured Transactions

### Consolidated SPEs

The CSi group is involved in the formation of Special Purpose Entities ('SPEs') primarily for the purpose of providing clients with structured investment opportunities, asset securitisation transactions and for buying or selling credit protection. The CSi group consolidates SPEs when the substance of the relationship between the CSi group and the SPE indicates that the SPE is controlled by the CSi group. Consideration is given to the CSi group's ability to control the activities of the SPE and the CSi group's exposure to the risks and benefits of the SPE.

| Group | 2012 | 2011 |
|---|---|---|
| **SPE exposures (USD million)** | | |
| **Consolidated SPEs** | | |
| CDO | - | - |
| Financial intermediation | 1,649 | 1,826 |
| **Total assets of consolidated SPEs (excluding those held with bank)** | **1,649** | **1,826** |

The aggregate Statement of Financial Positions in relation to consolidated SPEs includes consolidation of China A Share Fund jointly managed by Credit Suisse AG and Industrial and Commercial Bank of China. CSi holds 80% of the total units of the fund and the remaining 20% are held by Credit Suisse Securities (Europe) Limited. CSi group has consolidated the entire fund and the remaining equity not attributable to the CSi group is represented by noncontrolling interest.

### Non-consolidated SPEs

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **SPE exposures (USD milion)** | | |
| **Non-consolidated SPEs** | | |
| CDO | 4,146 | 6,799 |
| Financial intermediation | 24,154 | 29,783 |
| **Total assets of non-consolidated SPEs** | **28,300** | **36,582** |
| | | |
| **Total maximum exposure to loss of non-consolidated SPEs** | | |
| CDO | 14 | 29 |
| Financial intermediation | 2,510 | 4,120 |

The non-consolidated SPEs table provides the carrying amounts and classification of the assets and liabilities recorded in the CSi group's Consolidated Statement of Financial Position, maximum exposure to loss and total assets of the non-consolidated SPEs.

Maximum exposure to loss represents non-consolidated SPEs that are recorded by the CSi group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated SPEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealised losses previously recorded by the CSi group in connection with guarantees or derivatives.

Non-consolidated SPE assets are related to the non-consolidated SPEs with whom the CSi group has interests. These amounts represent the assets of the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

Certain SPEs have not been included in the following table including SPEs structured by third parties in which the CSi group's interest is in the form of securities held in the CSi group's inventory, certain single-asset financing vehicles not sponsored by the CSi group to which the CSi group provides financing but has very little risk of loss due to over-collateralisation and guarantees, failed sales where the CSi group does not have any other holdings and other entities out of scope.

The non-consolidated SPEs are SPEs where CSi has a continuing involvement with the SPE (including both CSi and third party sponsored) and does not have the majority of the risks and rewards of ownership.

The Bank will consider all possible trigger events which would impact upon the control of an SPE as set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting Policies, including those we do not currently consolidate, and reflect this in Bank's current determination as to whether or not the Bank should consolidate.

The aggregate Statement of Financial Positions value (including amounts held with the Bank) in relation to Consolidated SPEs is shown below.

| Group | 2012 | 2011 |
|---|---|---|
| **Assets (USD million)** | | |
| Cash and due from banks | 137 | 44 |
| Other financial assets designated at fair value through profit or loss | 174 | - |
| Trading assets | 1,387 | 2,232 |
| Investment property | 518 | 561 |
| Current tax assets | - | - |
| Other assets | 4 | - |
| Property and equipment | 15 | 15 |
| **Total assets** | **2,235** | **2,852** |
| | | |
| **Liabilities (USD million)** | | |
| Deposits | 128 | 120 |
| Trading liabilities | 331 | 602 |
| Short term borrowings | - | - |
| Other financial liabilities designated at fair value through profit or loss | 1,775 | 2,121 |
| Other liabilities | 11 | 2 |
| Share capital | (32) | 7 |
| Subsidiaries acquired in the year | 22 | |
| **Total liabilities** | **2,235** | **2,852** |

## 36. Financial Instruments

### Fair value of financial instruments carried at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, most mortgage-related and Collateralised Debt Obligation ('CDO') securities, certain equity derivatives and equity-linked securities, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high-grade bonds, and life insurance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments ('CVA')) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments ('DVA')) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

The CVA adjustment is computed on a portfolio basis, by integrating the discounted recovery-adjusted expected positive exposure of the underlying portfolio over the counterparty default period between today and the final maturity of the portfolio. The default probabilities are determined from CDS spreads.

### Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the IFRS fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

For cash and other liquid assets and money market instruments maturing within three months, the fair value is generally based on observable inputs. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

### Qualitative disclosures of valuation techniques

### Money market instruments

Traded money market instruments include instruments such as bankers' acceptances, certificates of deposit, commercial papers, book claims, treasury bills and other rights, which are held for trading purposes. Valuations of money market instruments are generally based on observable inputs.

### Debt securities

Government debt securities typically have quoted prices in active markets and are categorised as Level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modelling techniques, which may involve judgement. For those securities where the price or model inputs are observable in the market they are categorised as Level 2 instruments, while those securities where prices are not observable, and significant model inputs are unobservable, they are categorised as Level 3.

### Corporate bonds

Corporate bonds are priced to reflect current market levels either through recent market transactions or to broker or dealer quotes.

Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity) or through the application of cash flow modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. The majority of Corporate Bonds are categorised as Level 2.

### CMBS, RMBS and ABS/CDO structures

Values of Residential Mortgage Backed Securities ('RMBS'), Commercial Mortgage Backed Securities ('CMBS') and other Assets Backed Securities ('ABS') may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Values of RMBS, CMBS and other ABS for which there are no significant observable inputs are valued using benchmarks to similar transactions or indices and other valuation models.

For most structured debt securities determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on management's own assumptions about how market participants would price the asset.

Collateralised bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs. The majority of CMBS/RMBS/ABS/CDO structures are categorised as Level 3.

### Equity securities

The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as Level 1 instruments. Level 2 equities include fund-linked products, convertible bonds or equity securities with restrictions and therefore are not traded in active markets.

### Fund-linked products

Fund-linked products consist of investments in third-party hedge funds and funds of funds. The method of measuring fair value for these investments is the same as those described for other alternative capital investments below.

### Convertible bonds

Convertible bonds are generally valued using observable pricing sources. For a small minority of convertible bonds, no observable prices are available, and valuation is determined using internal and external models, for which the key inputs include stock prices, dividend rates, credit spreads (corporate and sovereign), yield curves, foreign exchange rates, prepayment rates and borrowing costs and single stock and equity market volatility.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in Level 1 of the fair value hierarchy. Some observable exchange prices may not be considered executable at the reporting date and may have been adjusted for liquidity concerns. For those instruments where liquidity adjustments have been made to the exchange price, such as long-dated option contracts, the instrument has been included in Level 2 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument.

The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling assumptions. Examples of such specific unobservable inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions.

Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available attempts are made to infer values from observable prices through model calibration (spot and forward rates, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made.

OTC derivatives where the majority of the value is derived from market observable inputs are categorised as Level 2 instruments, while those where the majority of value is derived from unobservable inputs are categorised as Level 3.

### Interest rate derivatives

OTC vanilla interest rate products such as interest rate swaps, swaptions and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange traded futures and options and can be used in yield curve construction.

For more complex products inputs include, but are not limited to, basis swap spreads, constant maturity convexity adjustments, constant maturity treasury spreads, inflation index correlations, inflation seasonality, single and quanto interest rate correlations, cross asset correlations, mean reversion, serial correlation and conditional prepayment rate assumptions.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modelling techniques. Where applicable, exchange traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to, foreign exchange rate correlations, quanto cross asset correlations and volatility skew assumptions.

### Equity derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include borrowing costs, dividend curves, equity to equity correlations, equity to foreign exchange rate correlations, single name and index volatility, fund gap risk, fund volatility, interest rate to equity correlation and yield curve.

### Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spreads and recovery rates.

Complex structured credit derivatives are valued using proprietary models requiring inputs such as credit spreads, recovery rates, credit volatilities, default correlations, cash/synthetic basis spreads and prepayment rates. These input parameters are generally implied from available market observable data.

## Loans

The CSi group's loan portfolio measured at fair value includes commercial loans, residential loans, corporate loans, leveraged financed loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions. Both the funded and unfunded portion of revolving credit lines, on the corporate lending portfolio, are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. The CSi group's other assets and liabilities include mortgage loans held in conjunction with securitisation activities and assets and liabilities of SPEs and mortgage securitisations that do not meet the criteria for sale treatment under IFRS. The fair value of mortgage loans held in conjunction with securitisation activities is determined on a whole-loan basis. Whole loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of SPEs and mortgage securitisations that do not meet the criteria for sale treatment under IFRS is determined based on the quoted prices for securitised bonds, where available, or on cash flow analyses for securitised bonds, when quoted prices are not available. All loans are classified as Level 2 and 3.

## Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the firms' stand-alone derivatives as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Vanilla debt is fair valued to the new issue market using risk-free yield curves for similar maturities and the CSi group's own credit spread. The majority of short term borrowings are categorised as Level 2. The majority of long-term debt is categorised as Levels 2 and 3.

### Financial assets and liabilities by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

| Group 2012 | | Carrying value | | | |
|---|---|---|---|---|---|
| | Fair Value | Held for trading | Designated at fair value | Other loans and receivables | Total |
| **Financial Assets (USD million)** | | | | | |
| Cash and due from banks | 18,690 | - | - | 18,690 | 18,690 |
| Interest-bearing deposits with banks | 2,525 | - | - | 2,525 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 24,103 | - | - | 24,103 | 24,103 |
| Trading financial assets at fair value through profit or loss | 557,333 | 557,333 | - | - | 557,333 |
| Financial assets designated at fair value through profit or loss | 20,128 | - | 20,128 | - | 20,128 |
| Loans and receivables | 13,506 | - | - | 13,509 | 13,509 |
| Other investments | 33 | - | - | 33 | 33 |
| Other assets | 53,960 | - | - | 53,960 | 53,960 |
| **Total financial assets** | **690,278** | **557,333** | **20,128** | **112,820** | **690,281** |
| **Financial Liabilities (USD million)** | | | | | |
| Deposits | 4,844 | - | - | 4,844 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 4,874 | - | - | 4,874 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 525,737 | 525,737 | - | - | 525,737 |
| Financial liabilities designated at fair value through profit or loss | 36,644 | - | 36,644 | - | 36,644 |
| Short term borrowings | 29,741 | - | - | 29,718 | 29,718 |
| Long term debt | 32,177 | - | - | 30,654 | 30,654 |
| Other liabilities | 44,942 | - | - | 44,942 | 44,942 |
| **Total financial liabilities** | **678,959** | **525,737** | **36,644** | **115,032** | **677,413** |

| Group 2011 | | Carrying value | | | |
|---|---|---|---|---|---|
| | **Fair Value** | **Held for trading** | **Designated at fair value** | **Other loans and receivables** | **Total** |
| **Financial Assets (USD million)** | | | | | |
| Cash and due from banks | 14,795 | - | - | 14,795 | 14,795 |
| Interest-bearing deposits with banks | 1,496 | - | - | 1,496 | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | 29,406 | - | - | 29,406 | 29,406 |
| Trading financial assets at fair value through profit or loss | 574,734 | 574,734 | - | - | 574,734 |
| Financial assets designated at fair value through profit or loss | 18,701 | - | 18,701 | - | 18,701 |
| Loans and receivables | 14,344 | - | - | 14,343 | 14,343 |
| Other investments | 31 | - | - | 31 | 31 |
| Other assets | 55,744 | - | - | 55,744 | 55,744 |
| **Total financial assets** | **709,251** | **574,734** | **18,701** | **115,815** | **709,250** |
| **Financial Liabilities (USD million)** | | | | | |
| Deposits | 4,451 | - | - | 4,451 | 4,451 |
| Securities sold under repurchase agreements and securities lending transactions | 6,971 | - | - | 6,971 | 6,971 |
| Trading financial liabilities at fair value through profit or loss | 551,224 | 551,224 | - | - | 551,224 |
| Financial liabilities designated at fair value through profit or loss | 31,352 | - | 31,352 | - | 31,352 |
| Short term borrowings | 32,742 | - | - | 32,742 | 32,742 |
| Long term debt | 34,607 | | - | 31,673 | 31,673 |
| Other liabilities | 42,835 | - | - | 42,835 | 42,835 |
| **Total financial liabilities** | **704,182** | **551,224** | **31,352** | **118,672** | **701,248** |

| Bank 2012 | | Carrying value | | | |
|---|---|---|---|---|---|
| | Fair Value | Held for trading | Designated at fair value | Other loans and receivables | Total |
| **Financial Assets (USD million)** | | | | | |
| Cash and due from banks | 18,553 | - | - | 18,553 | 18,553 |
| Interest-bearing deposits with banks | 2,525 | - | - | 2,525 | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 24,103 | - | - | 24,103 | 24,103 |
| Trading financial assets at fair value through profit or loss | 557,302 | 557,302 | - | - | 557,302 |
| Financial assets designated at fair value through profit or loss | 20,128 | - | 20,128 | - | 20,128 |
| Loans and receivables | 13,510 | - | - | 13,513 | 13,513 |
| Other assets | 54,268 | - | - | 54,268 | 54,268 |
| **Total financial assets** | **690,389** | **557,302** | **20,128** | **112,962** | **690,392** |
| **Financial Liabilities (USD million)** | | | | | |
| Deposits | 4,844 | - | - | 4,844 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 4,874 | - | - | 4,874 | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 525,883 | 525,883 | - | - | 525,883 |
| Financial liabilities designated at fair value through profit or loss | 35,797 | - | 35,797 | - | 35,797 |
| Short term borrowings | 29,765 | - | - | 29,742 | 29,742 |
| Long term debt | 32,172 | - | - | 30,649 | 30,649 |
| Other liabilities | 45,256 | - | - | 45,256 | 45,256 |
| **Total financial liabilities** | **678,591** | **525,883** | **35,797** | **115,365** | **677,045** |

| Bank 2011 | | Carrying value | | | |
|---|---|---|---|---|---|
| | Fair Value | Held for trading | Designated at fair value | Other loans and receivables | Total |
| **Financial Assets (USD million)** | | | | | |
| Cash and due from banks | 14,750 | - | - | 14,750 | 14,750 |
| Interest-bearing deposits with banks | 1,496 | - | - | 1,496 | 1,496 |
| Securities purchased under resale agreements and securities borrowing transactions | 29,406 | - | - | 29,406 | 29,406 |
| Trading financial assets at fair value through profit or loss | 574,953 | 574,953 | - | - | 574,953 |
| Financial assets designated at fair value through profit or loss | 18,701 | - | 18,701 | - | 18,701 |
| Loans and receivables | 14,349 | - | - | 14,348 | 14,348 |
| Other assets | 56,066 | - | - | 56,066 | 56,066 |
| **Total financial assets** | **709,721** | **574,953** | **18,701** | **116,066** | **709,720** |
| **Financial Liabilities (USD million)** | | | | | |
| Deposits | 4,451 | - | - | 4,451 | 4,451 |
| Securities sold under repurchase agreements and securities lending transactions | 6,971 | - | - | 6,971 | 6,971 |
| Trading financial liabilities at fair value through profit or loss | 551,916 | 551,916 | - | - | 551,916 |
| Financial liabilities designated at fair value through profit or loss | 30,298 | - | 30,298 | - | 30,298 |
| Short term borrowings | 32,766 | - | - | 32,766 | 32,766 |
| Long term debt | 34,607 | - | - | 31,645 | 31,645 |
| Other liabilities | 43,137 | - | - | 43,137 | 43,137 |
| **Total financial liabilities** | **704,146** | **551,916** | **30,298** | **118,970** | **701,184** |

## Fair value hierarchy

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

### Fair value of assets and liabilities measured at fair value on a recurring basis

| As at 31 December 2012<br>Group | Quoted Prices in active markets for the same instruments (Level 1) | Valuation techniques observable inputs (Level 2) | Valuation techniques unobservable inputs (Level 3) | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | |
| Trading financial assets at fair value through profit or loss | 24,496 | 927,825 | 8,986 | (403,974) | 557,333 |
| Financial assets designated at fair value through profit or loss | - | 16,450 | 3,678 | - | 20,128 |
| **Total assets at fair value** | **24,496** | **944,275** | **12,664** | **(403,974)** | **577,461** |
| | | | | | |
| **Liabilities at fair value (USD million)** | | | | | |
| Trading financial liabilities at fair value through profit or loss | 12,036 | 912,082 | 5,929 | (404,310) | 525,737 |
| Financial liabilities designated at fair value through profit or loss | - | 31,360 | 5,284 | - | 36,644 |
| **Total liabilities at fair value** | **12,036** | **943,442** | **11,213** | **(404,310)** | **562,381** |

| As at 31 December 2011<br>Group | Quoted Prices in active markets for the same instruments (Level 1) | Valuation techniques observable inputs (Level 2) | Valuation techniques unobservable inputs (Level 3) | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | |
| Trading financial assets at fair value through profit or loss | 21,260 | 973,608 | 15,353 | (435,487) | 574,734 |
| Financial assets designated at fair value through profit or loss | - | 13,571 | 5,130 | - | 18,701 |
| **Total assets at fair value** | **21,260** | **987,179** | **20,483** | **(435,487)** | **593,435** |
| | | | | | |
| **Liabilities at fair value (USD million)** | | | | | |
| Trading financial liabilities at fair value through profit or loss | 12,620 | 964,653 | 8,636 | (434,685) | 551,224 |
| Financial liabilities designated at fair value through profit or loss | - | 24,473 | 6,879 | - | 31,352 |
| **Total liabilities at fair value** | **12,620** | **989,126** | **15,515** | **(434,685)** | **582,576** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| As at 31 December 2012<br>Bank | Quoted Prices in active markets for the same instruments (Level 1) | Valuation techniques observable inputs (Level 2) | Valuation techniques unobservable inputs (Level 3) | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | |
| Trading financial assets at fair value through profit or loss | 24,496 | 927,170 | 9,610 | (403,974) | 557,302 |
| Other financial assets designated at fair value through profit or loss | - | 16,450 | 3,678 | - | 20,128 |
| **Total assets at fair value** | **24,496** | **943,620** | **13,288** | **(403,974)** | **577,430** |
| | | | | | |
| **Liabilities at fair value (USD million)** | | | | | |
| Trading financial liabilities at fair value through profit or loss | 12,035 | 912,230 | 5,928 | (404,310) | 525,883 |
| Financial liabilities designated at fair value through profit or loss | - | 30,523 | 5,274 | - | 35,797 |
| **Total liabilities at fair value** | **12,035** | **942,753** | **11,202** | **(404,310)** | **561,680** |

| As at 31 December 2011<br>Bank | Quoted Prices in active markets for the same instruments (Level 1) | Valuation techniques observable inputs (Level 2) | Valuation techniques unobservable inputs (Level 3) | Impact of netting[1] | Total at fair value |
|---|---|---|---|---|---|
| **Assets at fair value (USD million)** | | | | | |
| Trading financial assets at fair value through profit or loss | 21,261 | 973,272 | 15,907 | (435,487) | 574,953 |
| Financial assets designated at fair value through profit or loss | - | 13,571 | 5,130 | - | 18,701 |
| **Total assets at fair value** | **21,261** | **986,843** | **21,037** | **(435,487)** | **593,654** |
| | | | | | |
| **Liabilities at fair value (USD million)** | | | | | |
| Trading financial liabilities at fair value through profit or loss | 12,619 | 965,346 | 8,636 | (434,685) | 551,916 |
| Financial liabilities designated at fair value through profit or loss | - | 23,432 | 6,866 | - | 30,298 |
| **Total liabilities at fair value** | **12,619** | **988,778** | **15,502** | **(434,685)** | **582,214** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2012 | | | | | | | | Trading revenues | | Other revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlement | On transfers in[1]/out | On all others | On transfers in / out | On all others | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial assets at fair value through profit or loss | 15,353 | 1,748 | (5,971) | 4,389 | (4,575) | 859 | (3,463) | 69 | 577 | - | - | 8,986 |
| Financial assets designated at fair value through profit or loss | 5,130 | 54 | (263) | 386 | (513) | 2,243 | (2,785) | 0 | (574) | - | - | 3,678 |
| **Total assets at fair value** | **20,483** | **1,802** | **(6,234)** | **4,775** | **(5,088)** | **3,102** | **(6,248)** | **69** | **3** | **-** | **-** | **12,664** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial liabilities at fair value through profit or loss | 8,636 | 1,460 | (2,490) | 26 | (280) | 818 | (3,350) | 66 | 1,043 | - | - | 5,929 |
| Financial liabilities designated at fair value through profit or loss | 6,879 | 245 | (847) | 45 | (192) | 1,882 | (3,333) | (33) | 638 | - | - | 5,284 |
| **Total liabilities at fair value** | **15,515** | **1,705** | **(3,337)** | **71** | **(472)** | **2,700** | **(6,683)** | **33** | **1,681** | **-** | **-** | **11,213** |
| **Net assets/liabilities at fair value** | **4,968** | **97** | **(2,897)** | **4,704** | **(4,616)** | **402** | **435** | **36** | **(1,678)** | **-** | **-** | **1,451** |

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2011 | | | | | | | | Trading revenues | | Other revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlement | On transfers in[1]/out | On all others | On transfers in / out | On all others | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial assets at fair value through profit or loss | 14,424 | 3,534 | (2,956) | 6,587 | (5,375) | 503 | (3,178) | 112 | 1,702 | - | - | 15,353 |
| Financial assets designated at fair value through profit or loss | 5,587 | 1,005 | (950) | 1,825 | (1,703) | 1,905 | (2,049) | 18 | (508) | - | - | 5,130 |
| **Total assets at fair value** | **20,011** | **4,539** | **(3,906)** | **8,412** | **(7,078)** | **2,408** | **(5,227)** | **130** | **1,194** | **-** | **-** | **20,483** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial liabilities at fair value through profit or loss | 11,062 | 1,589 | (2,586) | 40 | 118 | 64 | (2,267) | 205 | 411 | - | - | 8,636 |
| Financial liabilities designated at fair value through profit or loss | 9,040 | 645 | (1,139) | 329 | (1,092) | 3,195 | (4,313) | 5 | 209 | - | - | 6,879 |
| **Total liabilities at fair value** | **20,102** | **2,234** | **(3,725)** | **369** | **(974)** | **3,259** | **(6,580)** | **210** | **620** | **-** | **-** | **15,515** |
| **Net assets/liabilities at fair value** | **(91)** | **2,305** | **(181)** | **8,043** | **(6,104)** | **(851)** | **1,353** | **(80)** | **574** | **-** | **-** | **4,968** |

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2012 | | | | | | | | Trading revenues | | Other revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlement | On transfers in[1]/out | On all others | On transfers in / out | On all others | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial assets at fair value through profit or loss | 15,907 | 1,748 | (5,971) | 4,459 | (4,575) | 859 | (3,463) | 69 | 577 | - | - | 9,610 |
| Financial assets designated at fair value through profit or loss | 5,130 | 54 | (263) | 386 | (513) | 2,243 | (2,785) | 0 | (574) | - | - | 3,678 |
| **Total assets at fair value** | **21,037** | **1,802** | **(6,234)** | **4,845** | **(5,088)** | **3,102** | **(6,248)** | **69** | **3** | **-** | **-** | **13,288** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial liabilities at fair value through profit or loss | 8,636 | 1,460 | (2,490) | 25 | (280) | 818 | (3,350) | 66 | 1,043 | - | - | 5,928 |
| Financial liabilities designated at fair value through profit or loss | 6,866 | 245 | (847) | 44 | (192) | 1,882 | (3,328) | (33) | 637 | - | - | 5,274 |
| **Total liabilities at fair value** | **15,502** | **1,705** | **(3,337)** | **69** | **(472)** | **2,700** | **(6,678)** | **33** | **1,680** | **-** | **-** | **11,202** |
| **Net assets/liabilities at fair value** | **5,535** | **97** | **(2,897)** | **4,776** | **(4,616)** | **402** | **430** | **36** | **(1,677)** | **-** | **-** | **2,086** |

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at December 2011 | | | | | | | | Trading revenues | | Other revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlement | On transfers in[1]/out | On all others | On transfers in / out | On all others | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial assets at fair value through profit or loss | 14,797 | 3,535 | (2,956) | 6,587 | (5,748) | 503 | (3,178) | 112 | 2,255 | - | - | 15,907 |
| Financial assets designated at fair value through profit or loss | 5,591 | 1,005 | (950) | 1,770 | (1,355) | 1,608 | (2,049) | 18 | (508) | - | - | 5,130 |
| **Total assets at fair value** | **20,388** | **4,540** | **(3,906)** | **8,357** | **(7,103)** | **2,111** | **(5,227)** | **130** | **1,747** | **-** | **-** | **21,037** |
| **Liabilities at fair value (USD million)** | | | | | | | | | | | | |
| Trading financial liabilities at fair value through profit or loss | 11,062 | 1,589 | (2,586) | 40 | 117 | 65 | (2,267) | 205 | 411 | - | - | 8,636 |
| Financial liabilities designated at fair value through profit or loss | 8,940 | 645 | (1,139) | 429 | (1,091) | 3,166 | (4,331) | 5 | 242 | - | - | 6,866 |
| **Total liabilities at fair value** | **20,002** | **2,234** | **(3,725)** | **469** | **(974)** | **3,231** | **(6,598)** | **210** | **653** | **-** | **-** | **15,502** |
| **Net assets/liabilities at fair value** | **386** | **2,306** | **(181)** | **7,888** | **(6,129)** | **(1,120)** | **1,371** | **(80)** | **1,094** | **-** | **-** | **5,535** |

[1] Transfers in are effected at the end of the period, and no revenues are recognised in the above table for the period prior to the transfer. This has been implemented at the start of 2010.

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

| **As at 31 December 2012** | **Trading revenues** | **Other revenues** | **Total revenues** |
|---|---|---|---|
| **Group (USD million)** | | | |
| Net realised/unrealised gains/(losses) included in net revenues | (1,642) | - | (1,642) |
| Whereof: | | | |
| Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date | (1,175) | - | (1,175) |

| **As at 31 December 2011** | **Trading revenues** | **Other revenues** | **Total revenues** |
|---|---|---|---|
| **Group (USD million)** | | | |
| Net realised/unrealised gains/(losses) included in net revenues | 494 | - | 494 |
| Whereof: | | | |
| Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date | (186) | - | (186) |

| **As at 31 December 2012** | **Trading revenues** | **Other revenues** | **Total revenues** |
|---|---|---|---|
| **Bank (USD million)** | | | |
| Net realised/unrealised gains/(losses) included in net revenues | (1,642) | - | (1,642) |
| Whereof: | | | |
| Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date | (1,175) | - | (1,175) |

| **As at 31 December 2011** | **Trading revenues** | **Other revenues** | **Total revenues** |
|---|---|---|---|
| **Bank (USD million)** | | | |
| Net realised/unrealised gains/(losses) included in net revenues | 1,014 | - | 1,014 |
| Whereof: | | | |
| Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date | (186) | - | (186) |

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSi group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

### Transfers in and out of Level 3

Transfers into Level 3 assets and Level 3 liabilities during 2012 of USD 1,802 million and USD 1,705 million respectively were primarily from derivatives, trading securities and loans. The transfers were related to trading and SPE consolidated positions within Leveraged Finance Trading, Non Agency RMBS, Structured Rates-Europe, Structured Credit and Prime Financing (Delta1) businesses primarily due to decreased observability and availability of pricing data.

Transfers out of Level 3 assets and Level 3 liabilities during 2012 of USD 6,234 million and USD 3,337 million were primarily from trading securities, derivatives and loans. The transfers were related to trading and SPE consolidated positions in Inflations Europe, Leveraged Finance Trading, Non-Agency RMBS, Structured Derivatives, Structured Rates-Europe, Credit Trading-Asia businesses primarily due to improved observability and availability of pricing data.

### Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

| **Group** | **As at 31 December 2012** | | **As at 31 December 2011** | |
|---|---|---|---|---|
| | **Favourable changes** | **Unfavourable changes** | **Favourable changes** | **Unfavourable changes** |
| **Impact on net income/(loss) (USD million)** | | | | |
| Derivative assets and liabilities | 381 | (452) | 386 | (463) |
| Asset backed securities, loans and derivatives | 121 | (112) | 233 | (84) |
| Debt and equity securities | 99 | (69) | 135 | (103) |
| Loans | 71 | (76) | 88 | (91) |
| **Balance at the end of the period** | **672** | **(709)** | **842** | **(741)** |

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Derivative assets and liabilities include primarily equity, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements upward and downward. The movements varied by product and existing levels of correlation based upon management judgement. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to 10% movement upward and downward. Credit spread sensitivities were subjected to generally equal movements upward and downward based upon management judgement and underlying market conditions.

Asset backed securities, loans and derivatives include CMBS, RMBS, ABS CDO and balance guaranteed swap positions. CMBS sensitivities are calculated by subjecting the recovery value on the underlying assets to a 5% movement upward and downward. The impact on the value of the underlying assets is an upward or downward movement greater than 10%. ABS CDO positions were subjected to sensitivities to underlying asset prices, as well as recovery rates on the underlying assets. The underlying asset prices were subjected to a range of downward movements with no movement upward. Recovery rates are held at what management believes to be conservative levels and were increased by 10% resulting in favorable uncertainty. RMBS positions were subjected to sensitivities on prepayment speeds which were estimated as one standard deviation of historical prepayments movement upward and downward. Balance guaranteed swap positions were subjected to sensitivities on prepayment speeds which were estimated based on management's assessment of fast/slow notional bands for movements upward and downward.

Debt and equity securities include equity fund linked products, variable funding notes and corporate and emerging market bonds. The primary parameters subjected to sensitivity analysis for equity fund linked products and variable funding notes include gap risk and secondary market reserves. Gap risk sensitivity is estimated by using limited pricing service information and valuing to the conservative side of the range of values. The parameter subjected to sensitivity for emerging market positions is price. Price sensitivity is subjected to a 100 basis point movement upward and downward. The parameter subjected to sensitivity for corporate debt is credit spreads and are generally subjected to a 15% movement upward and downward.

Loans include emerging market loans and corporate loans. For emerging market loans the parameter subjected to sensitivity analysis is credit spreads which is subjected to a 15% movement upward and downward. For corporate loans the parameter subjected to sensitivity analysis is the loan price which is subjected to an equal movement upward and downward which ranges from 5 to 10 points depending upon the position.

### Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or the fair value is expected to become observable. When inputs to the valuation model becomes observable or the CSi group enters into offsetting transactions that substantially eliminate the instrument's risk.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year for trading assets and liabilities:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Deferred trade date profit (USD million)** | | |
| Balance at the beginning of period | 433 | 475 |
| Increase due to new trades | 175 | 265 |
| Reduction due to passage of time | (37) | (34) |
| Reduction due to redemption, sales, transfers or improved observability | (177) | (273) |
| **Balance at the end of period** | **394** | **433** |

### Transfers between Level 1 and Level 2

The table below shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Assets (USD million)** | | |
| Trading financial assets at fair value through profit or loss | 276 | 399 |
| **Total transfers in assets at fair value** | **276** | **399** |
| | | |
| **Liabilities (USD million)** | | |
| Trading financial liabilities at fair value through profit or loss | 8 | - |
| **Total transfers in liabilities at fair value** | **8** | **-** |

The transfers from Level 1 to Level 2 were mainly driven by trading securities where the liquidity had decreased and subsequently lacked pricing transparency.

The table below shows the transfers from Level 2 to Level 1 of the fair value hierarchy.

| Group and Bank | 2012 | 2011 |
|---|---|---|
| **Assets (USD million)** | | |
| Trading financial assets at fair value through profit or loss | 4,967 | 6,898 |
| **Total transfers in assets at fair value** | **4,967** | **6,898** |
| | | |
| **Liabilities (USD million)** | | |
| Trading financial liabilities at fair value through profit or loss | 5,128 | 5,773 |
| **Total transfers in liabilities at fair value** | **5,128** | **5,773** |

The transfers from Level 2 to Level 1 are mainly driven by transfer of exchange traded options as they moved closer to maturity and pricing inputs become more observable.

## 37. Assets Pledged or Assigned

The following table sets forth details of assets pledged or assigned:

| Group and Bank | 2012 | 2011 |
|---|---|---|
| | | |
| **Assets pledged or assigned (USD million)** | | |
| Trading financial assets at fair value through profit or loss | 33,761 | 35,540 |
| | | |
| **Collateral received (USD million)** | | |
| Fair value of collateral received with the right to resell or repledge | 40,251 | 49,230 |
| ■ Of which sold or repledged | 26,381 | 33,860 |

Assets pledged or assigned represents the balance sheet position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivatives transactions. Refer to Note 15 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2012 and 2011, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party, has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

The CSi group enters into agreements with counterparties where collateral or security interests in positions, which the CSi group holds, has been provided. This includes situations where the CSi group has registered charges to certain counterparties over the CSi groups assets in connection with its normal operating activities.

## 38. Derecognition

In the normal course of business, the CSi group enters into transactions in which it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSi group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Significant Accounting Policies.

### Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSi group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by SPEs to which the asset has been transferred. In addition, the CSi group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSi group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSi group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSi group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSi group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSi group still has continuing involvement as at 31 December 2012, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

## Information on transferred assets by type of continuing involvement

| Group and Bank (USD million) | Carrying amount of continuing involvement in statement of financial position | | Fair value of continuing involvement | | Maximum exposure to loss | Loss from transfer | Expense from continuing involvement (year-to-date) | Income from continuing involvement (life-to-date) |
|---|---|---|---|---|---|---|---|---|
| | Trading financial assets at fair value through profit or loss | Trading financial liabilities at fair value through profit or loss | Assets | Liabilities | | | | |
| **Type of continuing involvement** | | | | | | | | |
| Derivatives | | | | | | | | |
| ■ Swaps | 213 | (24) | 213 | (24) | 213 | (38) | (76) | 154 |
| Notes | 122 | - | 122 | - | 122 | - | -[1] | 19 |

The table above includes continuing involvement in the form of derivative transactions. To reduce its credit risk to derivatives, the CSi group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis. Also included in the table are notes, that represent the CSi group's continuing involvement in the transferred asset which are fully collateralised.

Proceeds from transfer activity in the reporting period (where the asset has been derecognised in its entirety and there is continuing involvement) were distributed evenly across the reporting period.

The following table shows a maturity analysis of undiscounted cash outflows that the CSi group may be required to pay to repurchase the asset. The below table includes situations where the CSi group has an option to repurchase the asset. In such instances, where the timing of the cash flows is not specified, the total undiscounted amount has been included in the earliest maturity bucket in the disclosure below.

[1] The expenses from involvement (year-to-date) for Notes is USD 6,951 but shown as Nil as the statement is presented in USD million.

### Maturity analysis of undiscounted cash flows to repurchase transferred assets by type of continuing involvement

| Group and Bank (USD million) | Total | On demand | Less than 1year | 1 – 5 years | More than 5 years |
|---|---|---|---|---|---|
| **Type of continuing involvement** | | | | | |
| Derivatives[1] | | | | | |
| ■ Swaps | (1,179) | (1,179) | - | - | - |

Instruments that are considered to be continuing involvement are included in Note – 15 Trading Financial Assets and Liabilities at Fair Value Through Profit and Loss.

### Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSi group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSi groups balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSi group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

[1] The derivative provides CSi group the right but not the obligation to repurchase the transferred asset at the CSi group's option.

## Carrying amount of transferred assets not derecognised and associated liabilities

| 2012 | Financial assets not derecognised due to the following transactions | | | |
|---|---|---|---|---|
| Group and Bank (USD million) | Repurchase agreements | Securities lending agreements | Total return swaps | Other |
| Carrying amount of transferred assets | 13,958 | 2,733 | 1,681 | 519 |
| Total carrying amount of associated liabilities | 13,936 | 2,652 | 1,610 | 519 |

Where the CSi group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement.

## Carrying amount of transferred assets not derecognised and associated liabilities

| 2011 | Financial assets not derecognised due to the following transactions | | | |
|---|---|---|---|---|
| Group and Bank (USD million) | Repurchase agreements | Securities lending agreements | Total return swaps | Other |
| Carrying amount of transferred assets | 9,839 | 7,090 | 686 | 472 |
| Total carrying amount of associated liabilities | 9,853 | 7,090 | 686 | 472 |

Assets not derecognised are included in Note – 15 Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and Note – 17 Other Loans and Receivables. The corresponding liabilities are included in Note – 14 Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements, Note – 16 Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss and Note – 19 Other Assets and Liabilities.

## 39. Financial Instruments Risk Position

### Risks Detail

### i) Market risk

#### Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. The Bank defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

The Bank has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Bank level down to specific portfolios. The Bank uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across the Bank's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are value-at-risk ('VaR') and scenario analysis. Additionally, the Bank's market risk exposures are reflected in the economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

#### Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. The Bank uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS') and other related international standards for market risk management. For some purposes, such as backtesting and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Bank uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The Bank uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the Bank uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the VaR model.

The Bank has approval from the FSA to use its regulatory VaR model in the calculation of trading book market risk capital requirements, and the model is subject to regular reviews by the regulator.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. As a risk measure, VaR only quantifies the potential loss on a portfolio under normal market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does provide any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on either a ten-day (for internal risk management and regulatory purposes) or one-day (for backtesting purposes) holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

### Scenario analysis

Stress testing complements other risk measures by capturing the Bank's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Bank level, a set of scenarios are used which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Bank's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and the business lines.

The Bank's stress testing framework is governed through a dedicated steering committee that operates across CS group. Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios are reviewed and updated regularly as markets and business strategies evolve, and new scenarios are designed by the Risk division in collaboration with Global Research and the business divisions.

## Trading portfolios

### Risk measurement and management

Market risk arises in CSi's trading portfolios primarily through the trading activities of the Investment Banking business lines.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Bank's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Bank's market risk exposure, not for financial statement purposes.

CSi is active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of CSi's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

### Development of trading portfolio risks

The table below shows the trading related market risk exposure for the Bank, as measured by ten-day 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio. There is no material difference in VaR between the Bank and the CSi group.

### Ten-day, 99% VaR – trading portfolios

| End of period | Interest rate and credit spread | Foreign exchange | Commodity | Equity | Diversification benefit[1)] | Total |
|---|---|---|---|---|---|---|
| **2012 USD million** | | | | | | |
| Average | 101 | 23 | 11 | 34 | (77) | 92 |
| Minimum | 75 | 5 | 2 | 19 | | 46 |
| Maximum | 139 | 70 | 29 | 83 | | 150 |
| End of period | 97 | 15 | 10 | 40 | (93) | 69 |
| **2011 USD million** | | | | | | |
| Average | 232 | 52 | 38 | 59 | -194 | 187 |
| Minimum | 135 | 17 | 9 | 16 | [2)] | 102 |
| Maximum | 348 | 466 | 102 | 262 | [2)] | 364 |
| End of period | 138 | 70 | 10 | 46 | -115 | 149 |

1) VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

### VaR results

The CSi group's ten-day, 99% regulatory VaR as of 31 December 2012 decreased by 54% to USD 69 million, compared to 31 December 2011 (USD 149 million).

## Banking portfolios

### Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including EC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

### Development of non-trading portfolio risks

Foreign exchange risk related to expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at the CSi group level through the levelling of accrued profit or losses which are incurred in a currency other than the CSi group's presentation currency. Any non-presentation currency denominated profit or loss of the CSi group is systematically leveled against the CSi group's presentation currency during or immediately after the month so that foreign exchange risks on accrued profit or loss are fully eliminated at month-end.

The CSi group has approval to manage its own trading profit or loss related foreign exchange risk through a formal trading mandate and has established defined risk limits.

Interest rate risk on banking book positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 2 million as of 31 December 2012 compared to USD 3 million as of 31 December 2011. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2012, the fair value impacts of 200-basis-point move in yield curves (flooring at zero where appropriate) were:

+200bps increase of USD 549 million (2011: increase of USD 443 million)

-200bps decrease of USD 14 million (2011: decrease of USD 335 million)

The fair value impact of a statistical one-year adverse interest rate move (to 99% confidence level) was a decrease of USD 164 million. Both measures are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of approximately USD 15 million in the value of the non-trading portfolio as of 31 December 2012 and USD 12 million as of 31 December 2011.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would have been a decrease of approximately USD Nil in the value of the non-trading portfolio as of 31 December 2012 compared to USD 4 million as of 31 December 2011.

### ii) Liquidity Risk

Liquidity risk is the risk that a company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee (CARMC), a committee that includes the Chief Executive Officers (CEOs) of the CS group and the divisions, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Bank's risk tolerance and set parameters for the balance sheet usage of businesses.

#### CS group-wide management of liquidity risk

The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS' liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and / or issues specific to CS. This approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situation(s).

The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor the structural liquidity position of the firm and as the basis for funds transfer pricing policy is Net Stable Funding Ratio (NSFR). This is complemented by CS's internal liquidity barometer, which allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ('LCR') and a net stable funding ratio ('NSFR'). The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by 1 January 2019.

The NSFR, which is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

### Legal entity management of liquidity risk

The liquidity risk of CSi is managed as an integral part of the overall CS global liquidity risk management framework. CSi aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for CSi is aligned to those used globally for the CS barometer.

In the context of liquidity management at the legal entity, the Bank's Board is responsible for setting the liquidity risk appetite and liquidity risk tolerance limits. Some of the key characteristics determining CSi's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk tolerance.
- Funding of all illiquid assets on a long-term basis.
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets.
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The UK IB ALM CARMC approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Treasury and ultimately approved by the Bank's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communicated strategies.

Incremental to CSi's unsecured funding sources from CS, CSi has the ability to access secured funding markets via repurchase agreements and a structured notes issuance programme. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities.

| Group<br>31 December 2012 | On Demand | Due within 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | 1 | 604 | 2,263 | 671 | 1,305 | 4,844 |
| Securities sold under repurchase agreements and securities lending transactions | 1,176 | 1,007 | 2,691 | - | - | 4,874 |
| Trading financial liabilities at fair value through profit or loss | 525,737 | - | - | - | - | 525,737 |
| Financial liabilities designated at fair value through profit or loss | - | 9,655 | 6,356 | 14,444 | 6,189 | 36,644 |
| Short term borrowings | - | 112 | 29,606 | - | - | 29,718 |
| Long term debt | - | 8,289 | 4,481 | 13,389 | 4,767 | 30,926 |
| Perpetual debt | - | - | - | - | 1,525 | 1,525 |
| Other liabilities | 44,707 | 33 | - | 226 | - | 44,966 |
| **Total** | **571,621** | **19,700** | **45,397** | **28,730** | **13,786** | **679,234** |

| Group<br>31 December 2011 | On Demand | Due within 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|---|---|
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | 2,440 | 891 | 118 | 11 | 991 | 4,451 |
| Securities sold under repurchase agreements and securities lending transactions | 309 | 432 | 6,230 | - | - | 6,971 |
| Trading financial liabilities at fair value through profit or loss | 551,224 | - | - | - | - | 551,224 |
| Financial liabilities designated at fair value through profit or loss | 734 | 7,019 | 3,875 | 11,877 | 7,847 | 31,352 |
| Short term borrowings | - | 151 | 32,591 | - | - | 32,742 |
| Long term debt | - | 5,089 | 579 | 20,545 | 6,754 | 32,967 |
| Perpetual debt | - | - | - | - | 1,525 | 1,525 |
| Other liabilities | 42,572 | 67 | 3 | 167 | 26 | 42,835 |
| **Total** | **597,279** | **13,649** | **43,396** | **32,600** | **17,143** | **704,067** |

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. Trading liabilities have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (no maturity dates) the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or CSi to put or call the positions at short notice.

### iii) Wrong-way Risk

#### Wrong-way exposures

Correlation risk arises when CSi enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, CSi's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. CSi has multiple processes that allow the capture and estimate of wrong-way risk.

#### Credit approval and reviews

A primary responsibility of Credit Risk Management (CRM) is the approval of new counterparty trading relationships and the subsequent ongoing review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

#### Exposure adjusted risk calculation

Material trades that feature high correlation risk have higher risk weighting built into the exposure calculation process compared to 'rightway' trades.

- Purchased credit default swaps – Correlation exists where the counterparty and the underlying reference asset belong to the same group. In these cases, exposure is calculated assuming default and applying the recovery value of the underlying reference asset.
- Equity finance – If there is a high correlation between the counterparty and the underlying equity exposure is calculated as full notional (i.e. zero equity recovery).
- Reverse repurchase agreements – Correlation exists where the underlying issuer and the counterparty are affiliated. In these cases, collateral used as an offset in the exposure calculation process is lowered to its recovery value.

#### Wrong-way risk monitoring

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

- Country exposure reporting – Exposure is reported against country limits established for emerging market countries. As part of the exposure reporting process, exposures that exhibit wrong-way characteristics are given a higher riskweighting versus non-correlated transactions. This weighting results in a greater amount of country limit usage for wrong-way transactions.
- Counterparty exposure reporting – Transactions that contain wrong-way risk (e.g. repurchase agreements, equity finance) are risk weighted as part of the daily exposure calculation process. Correlated transactions utilise more of the credit limit.
- Correlated repurchase and foreign exchange reports – Monthly reports produced by CRM capture correlated finance and foreign exchange positions for information and review by credit officers.
- Scenario risk reporting – In order to capture wrong-way risk at the industry level, a set of defined scenarios are run on the credit portfolio each month. The scenarios are determined by CRM and

involve stressing the underlying risk drivers to determine where portfolios are sensitive to these stressed parameters.

- Scenario risk reporting also covers client groups, particularly hedge funds, which are exposed to particular risk sensitivities and also may have collateral concentrations due to the direction and strategy of the fund.

**iv) Currency Risk**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank has approval to manage its own trading P&L related FX risk through a formal trading mandate and has defined risk limits using the Value at Risk (VaR) methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate FX Policy. Both these methodologies are discussed in more detail in section i) of this note.

**v) Credit Risk**

Credit Risk Management is an independent function headed by the Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area's credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group.

### Definition of counterparty risk

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

### Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

The credit risk management framework covers all banking business areas that are exposed to credit risk. The framework is designed to cover virtually all of the credit exposures in the banking business and comprises seven core components:

- Individual counterparty rating systems;
- Transaction rating systems;
- A counterparty credit limit system;
- Country concentration limits;
- Risk-based pricing methodologies;
- Active credit portfolio management; and
- A credit risk provisioning methodology.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

### Counterparty and transaction rating

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to whom the CSi group are exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSi group's internal ratings may differ from counterparty's external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and RWAs, a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgment of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience.

The CSi group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. The overall internal credit rating system has been approved by Swiss Financial Market Supervisory Authority (FINMA) for application under the Basel II A-Internal Rating Based ('IRB') approach.

### Credit risk overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

### Collateral held as security

CSi group actively manages its credit exposure utilising credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities that serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

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

- legal documentation that is agreed with CSi's counterparties; and
- an internally independent collateral management function.

The valuation of the collateral portfolio is performed daily as per the availability of independent market data, for traded products. Exceptions are governed by the calculation frequency described in the legal documentation. The management of collateral is standardised and centralised to ensure complete coverage of traded products.

### Primary types of collateral

Collateral securing foreign exchange transactions and OTC trading activities includes:

- Cash and US Treasury instruments;
- G -10 government securities; and
- Gold or other precious metals.

Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities), and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment.

For further information on collateral refer to Note 37 – Assets Pledged or Assigned.

### Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the exposure to credit risk equals their carrying amount as at 31 December 2012. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that Credit Suisse would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

## Maximum exposure to credit risk

| 2012 | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | Gross | Collateral | Net | Gross | Collateral | Net |
| **Maximum exposure to credit risk (USD million)** | | | | | | |
| Cash and due from banks | 18,690 | - | 18,690 | 18,553 | - | 18,553 |
| Interest bearing deposits with banks | 2,525 | - | 2,525 | 2,525 | - | 2,525 |
| Securities purchased under resale agreements and securities borrowing transactions | 24,103 | 24,103 | - | 24,103 | 24,103 | - |
| **Trading financial assets at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 34,896 | - | 34,896 | 34,796 | - | 34,796 |
| ■ Derivative trading positions | 506,232 | 478,083 | 28,149 | 506,587 | 478,083 | 28,504 |
| ■ Other | 1,648 | - | 1,648 | 2,203 | - | 2,203 |
| **Financial assets designated at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 80 | - | 80 | 80 | - | 80 |
| ■ Loans | 10,447 | 4,214 | 6,233 | 10,447 | 4,214 | 6,233 |
| ■ Reverse repurchase agreements | 5,283 | 5,283 | - | 5,283 | 5,283 | - |
| ■ Other | 4,318 | 3,732 | 586 | 4,318 | 3,732 | 586 |
| Other loans and receivables | 13,509 | 12,350 | 1,159 | 13,513 | 12,350 | 1,163 |
| Other assets | 53,942 | - | 53,942 | 54,249 | - | 54,249 |
| **Maximum exposure to credit risk – total assets** | **675,673** | **527,765** | **147,908** | **676,657** | **527,765** | **148,892** |
| **Off-balance sheet items** | | | | | | |
| ■ financial guarantees | 958 | 19 | 939 | 958 | 19 | 939 |
| ■ loan commitments and other credit related commitments | 11,932 | 52 | 11,880 | 11,932 | 52 | 11,880 |
| **Maximum exposure to credit risk – total off-balance sheet** | **12,890** | **71** | **12,819** | **12,890** | **71** | **12,819** |
| **Maximum exposure to credit risk** | **688,563** | **527,836** | **160,727** | **689,547** | **527,836** | **161,711** |

| 2011 | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Collateral** | **Net** | **Gross** | **Collateral** | **Net** |
| **Maximum exposure to credit risk (USD million)** | | | | | | |
| Cash and due from banks | 14,795 | - | 14,795 | 14,750 | - | 14,750 |
| Interest bearing deposits with banks | 1,496 | - | 1,496 | 1,496 | - | 1,496 |
| Securities purchased under resale agreements and Securities borrowing transactions | 29,406 | 29,406 | - | 29,406 | 29,406 | - |
| **Trading financial assets at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 28,751 | - | 28,751 | 28,744 | - | 28,744 |
| ■ Derivative trading positions | 529,346 | 488,817 | 40,529 | 530,064 | 488,817 | 41,247 |
| ■ Other | 1,990 | 58 | 1,932 | 2,553 | 58 | 2,495 |
| **Financial assets designated at fair value through profit or loss** | | | | | | |
| ■ Debt securities | 98 | - | 98 | 98 | - | 98 |
| ■ Loans | 11,550 | 2,262 | 9,288 | 11,550 | 2,262 | 9,288 |
| ■ Reverse repurchase agreements | 6,290 | 6,290 | - | 6,290 | 6,192 | 98 |
| ■ Other | 763 | - | 763 | 763 | - | 763 |
| Other loans and receivables | 14,402 | 12,827 | 1,575 | 14,409 | 12,827 | 1,582 |
| Other assets | 55,698 | 1,045 | 54,653 | 56,020 | 1,045 | 54,975 |
| **Maximum exposure to credit risk – total assets** | **694,585** | **540,705** | **153,880** | **696,143** | **540,607** | **155,536** |
| **Off-balance sheet items** | | | | | | |
| ■ financial guarantees | 2,973 | 175 | 2,798 | 2,973 | 175 | 2,798 |
| ■ loan commitments and other credit related commitments | 10,079 | 307 | 9,772 | 10,079 | 307 | 9,772 |
| **Maximum exposure to credit risk – total off-balance sheet** | **13,052** | **482** | **12,570** | **13,052** | **482** | **12,570** |
| **Maximum exposure to credit risk** | **707,637** | **541,187** | **166,450** | **709,195** | **541,089** | **168,106** |

The CSi group is exposed to credit risk as a result of either a counterparty or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSi group typically enters into master netting arrangements (MNA's) with over the counter (OTC) derivative counterparties. The MNA's allow the CSi group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. To the extent an exchange or clearing house acts as a counterparty to a derivative transaction, credit risk is generally considered to be limited as the CSi group is required to maintain a margin. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 16 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 14 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

Included within other (Financial assets designated at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 34 – Guarantees and Commitments.

For further information on collateral held as security that the CSi group is permitted to sell or repledge refer to Note 37 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

## Risk mitigation

CSi actively manages its credit exposure utilising credit hedges and monetiseable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut.

### Counterparty exposure before collateral by rating

| Bank | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| AAA | 3,315 | 4 | 7,048 | 8 |
| AA+ to AA- | 17,445 | 21 | 19,665 | 21 |
| A+ to A- | 33,067 | 39 | 32,920 | 36 |
| BBB+ to BBB- | 15,062 | 18 | 16,536 | 18 |
| BB+ to BB- | 8,117 | 9 | 8,518 | 9 |
| B+ and below | 7,350 | 9 | 7,684 | 8 |
| | **84,356** | **100** | **92,371** | **100** |

### Unsecured exposure by rating (including provisions)

| Bank | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| AAA | 3,958 | 13 | 6,521 | 19 |
| AA+ to AA- | 7,834 | 25 | 8,203 | 23 |
| A+ to A- | 9,606 | 31 | 9,641 | 27 |
| BBB+ to BBB- | 4,503 | 14 | 5,139 | 15 |
| BB+ to BB- | 1,886 | 6 | 1,733 | 5 |
| B+ and below | 3,413 | 11 | 3,788 | 11 |
| | **31,200** | **100** | **35,025** | **100** |

The above tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank as most of the trading portfolio mainly resides in the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

### vi) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. CS group's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC, based on the recommendations of CRM, SRM and CS group's economists.

Country limits for emerging markets are approved annually by the Board of Directors of CSG, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RAR with bi-monthly reports to senior management and monthly reports to CARMC. For trading positions, country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that CS group has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorisations and limit allocations. RAR and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

**vii) Settlement Risk**

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of countervalue from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk the CSi group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cashflows with a given counterpart where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

**viii) Legal Risk**

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group is subject to extensive regulation in the conduct of its investment business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the CS group's business activities or other sanctions. The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

**ix) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. CS group's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, CS group transfers operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of CS group's activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. CS group believes that effective management of operational risk requires a common firm-wide framework with ownership of these risks residing with the management responsible for the relevant business process.

### Operational risk management

The central BORO team within the risk management function is responsible for the overall operational risk management framework design and methodology.  It ensures cohesiveness of policies, tools and practices throughout the firm for operational risk management specifically with regard to identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks.  Businesses are supported by designated operational risk teams at the divisional and CS group level who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

Operational risk issues, metrics and exposures are discussed at the Bank's Risk management committees, which has senior staff representatives from all the relevant functions.  The Bank utilises a number of CS group-wide tools for the management and reporting of operational risk.  These include risk and control self-assessments, scenario analysis, key risk indicator reporting and the collection, reporting and analysis of internal and external loss data.  Knowledge and experience are shared throughout the CS group to maintain a coordinated approach.  CS group is continuously improving operational risk management practices and, in 2012, operational risk appetite was added as a new element of the Bank's overall risk appetite framework.  The framework is based on quantitative and qualitative tolerance levels.  Tolerance levels are monitored and reported to the Banks's Risk management committees which monitors management adherence and oversee remediation and resolution of breaches.

### x) Reputational Risk

It is CS group's policy to avoid any action, transaction or relationship with a Politically Exposed Person which poses an unacceptable level of risk to the CS group's reputation.  Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.  The CSi Board has formally delegated Reputational Risk issues to CS group's global Reputational Risk Review Process ('RRRP') and where an action or transaction gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to the RRRP.  The RRRP involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on CS group's participation.  Reputational Risk statistics, trends and notable submissions are reported to the CSi Board on a quarterly basis.

## 40. Business Combination

On 30 April 2011, CSG completed the acquisition of the PFS business carried on by ABN AMRO Bank N.V.  ('ABN') as successor to Fortis Bank (Nederland) N.V.  ('Fortis').  As part of that acquisition, CSi Dublin Branch acquired certain assets and assumed certain liabilities of ABN AMRO Bank (Ireland) Ltd and ABN AMRO Administration Services (Ireland) Ltd in an asset purchase transaction.  CSi Dublin Branch also acquired 100% of the shares of Prime Nominees (Ireland) Ltd and Prime Nominees (Asia) Ltd in a stock purchase transaction.

| | 2011 |
|---|---|
| **Consideration (USD million)** | |
| **Cash** | **14** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed (USD million)** | |
| ■ Cash and due from banks | 2,574 |
| ■ Trading financial assets at fair value through profit and loss | 156 |
| ■ Other loans and advances | 394 |
| ■ Other assets | 3 |
| ■ Intangible assets (including customer list) | 7 |
| ■ Property and equipment | 10 |
| ■ Deposits | (2,970) |
| ■ Trading financial liabilities at fair value through profit or loss | (154) |
| ■ Other liabilities | (2) |
| **Net assets acquired and liabilities assumed** | **18** |
| **Gain arising on acquisition** | **4** |

The acquisition enhanced CSi group's offering to the alternative investment community through PFS's leading services, which include independent administrative services, investor services, net asset value calculation, banking, custody and financing solutions. PFS is a strong fit with CSi group's client-focused, capital-efficient strategy and further strengthened CSi group's Equities franchise by creating a more complete solution for hedge fund clients.

An intangible asset arose on acquisition relating to the customer list obtained through the transaction. This asset of USD 5 million has been recorded by CSi Dublin Branch and will be amortised over a 13 year period on a straight-line basis.

The transaction included provision for certain contingent consideration however, in the event that this should become payable, it is not material to CSi group.

Revenues and profit in 2012 were not material to the CSi group.

## 41. Capital Adequacy

CSi's capital adequacy and capital resources are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union directives. These directives are implemented in the UK by the FSA, the UK regulator, and incorporated within its prudential sourcebooks for banks and investment firms.

### Capital Resources

Regulatory capital resources comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity. This is supplemented by Tier 2 and Tier 3 capital, which consist mainly of subordinated debt instruments. Total capital equals the sum of these, less regulatory deductions for items specified by the regulators, including material holdings of capital instruments issued by banks and investment firms, along with prudential filters, which are adjustments to accounting values for regulatory purposes.

CSi's overall capital needs are reviewed to ensure that its capital base can appropriately support the anticipated needs of its businesses. The capital management framework at CSG is designed to ensure that capital resources are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

In addition to the capital restructuring in February 2012, CSi also received a capital injection of USD 2 billion during the course of 2012 in order to support the business. There was also a Tier 1 injection of USD 202 million to replace Tier 2 subordinated debt that was repaid. There were no capital injections in 2011. Other movements in capital resources were as follows:

| | 2012 | 2011 |
|---|---|---|
| **Regulatory capital less deductions (USD million)** | | |
| **Total regulatory capital less deductions at 1 January** | **20,471** | **19,334** |
| Changes in Tier 1 instruments: | | |
| ■ Capital Injections | 2,000 | - |
| ■ Increase on reorganisation of capital base | 3,165 | - |
| Changes in Tier 2 instruments: | | |
| ■ Decrease on reorganisation of capital base | (3,155) | - |
| Profit and loss and movements in other comprehensive income (including solo-consolidated entities) | (665) | (294) |
| Net movement on Tier 2 capital (amortisation and currency translation) | 10 | (21) |
| Net movement in regulatory deductions and prudential filters | 216 | 1,452 |
| **Total regulatory capital less deductions at 31 December** | **22,042** | **20,471** |

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8% although the FSA requires this ratio to exceed the Individual Capital Guidance ('ICG') determined for each institution. This ratio can also be expressed as a capital coverage ratio, being the ratio of total eligible capital to total capital resources requirements, which must be at least 100%. The capital resources requirements reflect the credit, market and other risks of the Bank calculated using methodologies set out by the FSA.

CSi must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the FSA. CSi has put in place processes and controls to monitor and manage its capital adequacy and no breaches were reported to the FSA during the year.

The following table sets out details of CSi's regulatory capital resources at 31 December 2012 and 2011.

| | 2012 | 2011 |
|---|---|---|
| **Regulatory capital less deductions (USD millions)** | | |
| **Total shareholders' equity-Bank** | **15,577** | **11,102** |
| Reconciliation to Tier 1 capital: | | |
| ■ Regulatory deductions | (465) | (407) |
| ■ Prudential filters | (63) | (157) |
| ■ Reserves of solo-consolidated entities | 22 | (3) |
| **Tier 1 capital less deductions** | **15,071** | **10,535** |
| Tier 2 capital: | | |
| ■ Upper Tier 2- Perpetual Subordinated Debt | 2,507 | 4,188 |
| ■ Lower Tier 2 – Term Subordinated Debt | 4,499 | 5,962 |
| Excess Tier 2 capital | 0 | (694) |
| **Tier 2 capital** | **7,006** | **9,456** |
| | | |
| **Tier 1 plus Tier 2 capital** | **22,077** | **19,991** |
| Deductions | | |
| ■ Securitisation positions | 0 | (24) |
| ■ Expected loss amounts | 0 | - |
| ■ Other investments deducted from capital | (35) | (190) |
| **Tier 1 plus Tier 2 capital, less deductions** | **22,042** | **19,777** |
| Excess Tier 2 capital | 0 | 694 |
| Deductions from total capital | 0 | - |
| **Total regulatory capital less deductions** | **22,042** | **20,471** |

In December 2010, the Basel Committee on Banking Supervision issued the Basel III framework with higher minimum capital requirements, and new conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. This was designed to strengthen the resilience of the banking sector. There have been some subsequent refinements to this framework. The new capital standards and capital buffers will require banks to hold more capital, mainly in the form of common equity. Basel III will be implemented in the EU by amendment to the Capital Requirements Directive (CRD) and will apply to both banks and investment firms. This takes the form of a regulation and a directive which are currently going through the EU legislative process.

## 42. FSA Pillar 3 disclosures

Under a waiver agreed with the FSA, certain of the Pillar 3 disclosures required by the UK implementation of Basel II need not be made by CSi as a stand-alone entity on the basis that they are included in the comparable disclosures provided on a consolidated basis by CS group. Those Pillar 3 disclosures required under FSA rules that are not covered by the CS group disclosures can be found separately at www.credit-suisse.com.

## 43. Subsequent Events

In the UK budget announcement of 20 March 2013, the UK government announced its intention to further reduce the UK corporation tax rate to 20% with effect from 1 April 2015. This tax rate reduction is expected to be substantively enacted in 2014. The effect of this tax rate reduction upon CSi group's deferred tax balance cannot be reliably quantified at this stage.

Also in the UK budget announcement of 20 March 2013, the UK Bank Levy rate from 1 January 2014 will be 14.2 basis points for short term liabilities and 7.1 basis points for long term liabilities.

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# Credit Suisse International

## Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2014

# Credit Suisse International

## Interim Management Report for the Six Months Ended 30 June 2014

The Directors present their Interim Management Report and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2014.

### International Financial Reporting Standards

Credit Suisse International's 2014 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the European Union ('EU'). The Condensed Consolidated Interim Financial Statements comprise Credit Suisse International ('CSi' or the 'Bank') and its subsidiaries – together referred to as the 'CSi group'.

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 28 August 2014.

### Business Review

#### Profile

Credit Suisse International is a bank domiciled in the United Kingdom.

CSi is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity, commodity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

CSi is an unlimited company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised under the amended Financial Services and Markets Act 2000 by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA').

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through two divisions, Investment Banking and Private Banking & Wealth Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 45,100 employees from approximately 150 different nations.

#### Principal products/principal product areas

The CSi group has three principal business divisions which are managed as a part of the Investment Banking Division of CS group:

- The Fixed Income Division ('FID') provides a complete range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real estate related assets.

- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.
- The Investment Banking Division ('IBD') includes financial advisory services regarding mergers and acquisitions, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with FID and Equities, capital raising services.

During 2013, Non-Strategic Units were created within the Fixed Income, Equity and Investment Banking divisions to further accelerate a reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on strategic businesses and growth initiatives. Non-strategic activities and positions are defined as activities with significant capital absorption under new regulations and returns below expectations, activities with significant leverage exposures identified for de-risking, activities no longer feasible or economically attractive under emerging regulatory frameworks and assets and liabilities of business activities being wound down. Included in the Non-Strategic Units are the fixed income wind-down portfolio, legacy rates business, capital instruments that are not compliant with the Basel III capital framework and capital-intensive structured positions. The Non-Strategic Units have been retained within the divisions, so as to benefit from senior management's expertise and focus. The Non-Strategic Units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board

## Economic environment

In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 1.9% at the end of June 2014, compared to 2.0% at the end of 2013. The Bank of England ('BOE') maintained interest rates at 0.5% through the first six months of the year and the stock of asset purchases financed by the issuance of central bank reserves at GBP 375 billion. The unemployment rate dropped to 6.4% at the end of June from 7.1% at the end of 2013, edging closer to a 6 year low. However, low average wage inflation was cited as a growing concern for monetary policymakers and is likely to have a bearing on the timing of any interest rate decision. UK Gross Domestic Product ('GDP') grew by 0.8% in both the first and second quarter of the year. The UK economy advanced 3.1 percent year on year in the second quarter of 2014, the highest growth rate since the last three months of 2007.

The Bank of England Monetary Policy Committee ('MPC') provided guidance on its monetary policy once the unemployment threshold of 7% was reached. The MPC judged that there was scope for the UK economy to recover further before the Bank Rate was raised and, even when the Bank Rate did rise, it was expected to do so only gradually and to a level materially below its pre-crisis period (2007-2008) average of 5%. This followed the decision of the Federal Open Market Committee ('FOMC') in December 2013 to begin to slow the pace of its asset purchases. The FOMC also stressed that it would hold the main policy rate near zero well past the time when unemployment reached the 6.5% threshold.

The global economic environment showed some signs of softening in the first half of the year, driven mainly by the US and China. Eurozone economic data remained in line with a very gradual recovery, although a renewed decline in French business sentiment emerged. Reflecting a broad improvement in the prospects for the world recovery, there was a strengthening in financial market sentiment and a rise in a range of asset prices. In the United Kingdom short-term interest rates rose and sterling appreciated, with the sterling exchange rate index ending the review period around 1.9% higher than at its start.

The European Central Bank ('ECB') announced a range of new policy initiatives, including cuts in policy rates and new liquidity measures for banks. The ECB signaled that the policy rates would most likely remain unchanged until the end of 2016. At its meeting in June, the US Federal Reserve ('Fed') reduced its monthly asset purchases to USD 35 billion effective from July 2014. Among emerging markets, central banks in Turkey and Mexico lowered their policy rates.

During the period, Sterling appreciated against a broad range of currencies due to improvements in the United Kingdom's economic outlook relative to that of other countries, and rising interest rate differentials with the euro-area. The option-implied volatility of interest rates at short horizons increased a little, but remained low by historical standards. UK and US ten-year government bond yields were largely unchanged over the half-year, as rises in short-term interest rates were broadly offset by lower forward rates. Euro-area sovereign bond yields continued to decline, despite a short period of limited market turbulence that saw sharp increases in the government bond yields of some periphery countries.

Greece re-entered the sovereign bond market during April, having been absent from the market since March 2010, and there were successful issuances from Ireland, Portugal and Spain. Most advanced-economy risky asset prices rose over the half–year and were broadly unaffected by tensions between Ukraine and Russia or other global events. However the CSi group has limited exposure with these two countries and trades are fair valued.

## Financial markets and sector environment

During the first half of the year, equity markets benefited from improved economic momentum and higher risk appetite compared to second half of 2013. However compared to corresponding period of 2013, equity market conditions were subdued. Among developed markets, Japan rebounded after a decrease at the start of the year, driven by fund flows, stable leading indicators (after a consumption tax increase) and reform expectations. The US equity market increase was mainly due to an improvement in macroeconomic data. Emerging markets outperformed developed markets, benefiting from macro data stabilisation in China and reform expectations in certain countries, including India. Equity markets overall traded with lower volatility, as measured by the Chicago Board Options Exchange Market Volatility Index ('VIX'). Risk appetite, as measured by the Credit Suisse equity risk appetite index increased.

In fixed income, at the start of 2014, yields on 10-year benchmark bonds decreased due to geopolitical turmoil in Ukraine and concerns about Chinese economic growth. In contrast, US and UK 2-year benchmark bond yields were slightly higher, reflecting expectations of further reductions in monetary stimulus activity. With a search for yield continuing, credit markets posted a good performance at the start of the year. Credit spreads tightened the most in the European high yield segment. After a mixed initial performance, emerging market hard currency bonds were one of the best performing fixed income asset classes, benefiting from lower US Treasury yields and a significant tightening of spreads.

In currency markets, US dollar performance against most major currencies was mixed. Sterling appreciated against a broad range of currencies. The Euro depreciated against the US dollar in January. However, continued softer US economic data weakened the US dollar in February and March. The euro was slightly weaker against the Swiss franc because of market expectations that the ECB could ease its monetary policy. In emerging markets, the Renminbi depreciated versus the US dollar. The Japanese yen strengthened slightly against the US dollar as the Japanese economy weathered the impact of the consumption tax increase in April fairly well.

In the commodity sector, Commodity markets had a good start to the year. The major commodity indices gained more than 4% during the first half mainly driven by precious metals and agricultural markets. There were gold purchases due to increased geopolitical risks and prices for industrial metals and energy products had smaller increase. Over the last three months of the review period, the energy sector increased due to a surge in oil prices, reflecting geopolitical tensions in Iraq.

European bank stocks increased by 2% at the beginning of the year but fell 2.7% in later period, underperforming the MSCI World Index by 6.4%. North American bank stocks increased 5% at the beginning of the year and remained stable thereafter. In investment banking, global equity trading volumes increase in the first 3 months, and then decreased in the last 3 months but were up on the same period last year. Global announced mergers and acquisitions (M&A) volumes increased compared to the same period in 2013. Global completed M&A volumes decreased compared to the prior period. Global equity underwriting volumes were significantly higher, mainly driven by Europe. Global debt underwriting volumes also increased, while US fixed income volumes were stable over the first six months of the year but lower than the prior year, with particularly weaker mortgage-backed volumes, and with lower treasuries, corporates and federal agency volumes.

## Performance

Consolidated Statement of Income

For the first half of 2014, CSi group reported net loss attributable to shareholders of USD 371 million (2013: USD 388 million gain). Net revenues amounted to USD 882 million (2013: USD 1,384 million). After operating expenses, CSi group reported profit before taxes of USD 101million (2013: USD 453 million).

The first six months of 2014 have been challenging, as divisional revenues decreased to USD 1,226 million (2013: USD 1,827 million). Divisional revenues comprised the following:

- Fixed Income revenues fell 35% in the first half of 2014 to USD 671 million. There was a decline in the Emerging Markets business, mainly due to fewer new deals in 2014 as compared to 2013. In the Rates business revenues declined by 45%, driven by a slowdown in the global swaps business due to increased regulation and a decrease in client flows as markets remained uncertain throughout the Eurozone with market participants expecting the ECB rate reduction. In the Commodities business revenues declined by 42%, mainly in relation to precious metals which experienced weak investor interest coupled with a lack of liquidity and volatility, making the market difficult to trade. Management has taken the decision to exit Commodities trading activity, and this business is being transferred into the Fixed Income Non-Strategic Unit.

- Equity revenues were down 28% in the first half of 2014 to USD 435 million. This was mainly driven by a slowdown in client activity and subdued market conditions affecting both Asia and Europe, resulting in a reduction in new trade activity and declining commissions. In 2013 by comparison, the business benefited from favourable market moves in Japan.

- Investment Banking revenues increased by 30% to USD 120 million for the first six month of the year, driven by gains due to higher volumes in the structured equity and structured fixed income origination businesses.

Included in the divisional revenues above are losses of USD 47 million (2013: USD 136 million gain) in the non-strategic units. The losses in 2014 are due to a focused management strategy to wind down these businesses and reduce associated Risk Weighted Asset (‘RWA’) charges.

Net revenues were positively impacted by the following items not included in the divisional revenues above:

- Reduced revenue sharing expenses for the period of USD 222 million (2013: USD 305 million). This relates to revenue sharing agreements between the CSi group and other CS group companies.

- Reduced treasury funding charges of USD 154 million (2013: USD 225 million). This primarily comprises excess funding charges on long term financing versus overnight funding rates, which are only allocated out to the businesses at the CS group level. The lower average cost of borrowing has been achieved through the restructure of the funding profile.

The CSi group’s interim period operating expenses were USD 771 million (2013: USD 931 million). Compensation costs have decreased by USD 26 million to USD 203 million (2013: USD 229 million) in the first half of 2014. The decrease is primarily due to a decrease in expenses in relation to deferred compensation awards, and payroll tax associated with the awards.

General and administrative expenses decreased by USD 124 million to USD 578 million (2013: USD 702 million), USD 86 million of which was as a result of a decrease in overhead expenses allocated from CS group, reflecting similar compensation cost reductions in CS group. In addition, brokerage charges and clearing house fees decreased by USD 28 million in the first half of 2014 compared to the equivalent period in 2013.

Operating expenses for the six months ended 30 June 2014 do not include an expense in respect of the UK Bank Levy for 2014 (under current accounting requirements, the Bank Levy charge will only be recognised in the financial statements on 31 December each year). The tax, applicable to all Banks and Banking groups operating in the UK, will be charged on liabilities per the statement of financial position as at 31 December 2014 at a rate of 15.6 basis points for all short-term liabilities and 7.8 basis points for long-term liabilities. The estimate of the liability in respect of 2014 is USD 56 million (2013: USD 57 million).

Income tax expense for the six months ended 30 June 2014 was USD 472 million (2013: USD 67 million). Included in the income tax expense is an amount of USD 450 million as a result of the further impairment of the deferred tax asset ('DTA'), following an assessment by management as to whether the DTA can be realised. Refer Note 11 – Income Tax.

Consolidated Statement of Financial Position

As at 30 June 2014 the CSi group had total assets of USD 521 billion (31 December 2013: USD 517 billion)

Balance sheet movements have been dominated by the impacts of managing the required liquidity profile in accordance with risk appetite, regulatory requirements including EBA Basel III, and overall optimisation of the funding profile, as follows:

- An increase of USD 10 billion in securities purchased under resale agreements and securities borrowing transactions of predominantly high quality liquid assets.
- A decrease in cash and due from banks and corresponding increase in interest-bearing deposits with banks of USD 7 billion reflecting the increased term of surplus funds placed on deposit.
- An increase of USD 9 billion long term debt as a result of senior debt from a CS group company.

From an underlying business perspective:

- Trading financial assets at fair value through profit or loss have reduced by USD 14 billion. The decrease was primarily due to mark to market moves on interest rate derivative products. There has similarly been a decrease of USD 8 billion in Trading financial liabilities at fair value through profit or loss.
- Other assets have also increased USD 9 billion to USD 48 billion (31 December 2013: 40 billion), due to an increase in the cash collateral provided to counterparties in relation to derivative exposures.

Total shareholder's equity has reduced to USD 24.7 billion (31 December 2013: USD 25.0 billion), as a result of the net loss for the six months ended 30 June 2014.

## Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy, where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets were USD 11.5 billion as at 30 June 2014 (31 December 2013: USD 12.5 billion), which was equivalent to 2.21% of total assets. The decrease in Level 3 assets was due to cash settlements and the disposal of Level 3 positions, and due to transfers out of Level 3 as a result of increasing observability and quotes on Level 3 loans. Total Level 3 liabilities were USD 10.5 billion as at 30 June 2014 (31 December 2013: USD 11.2 billion), which was equivalent to 2.12% of total liabilities.

Fair Value disclosures are presented in Note 21 – Financial Instruments.

## Selected European credit risk exposures

On a gross basis, before taking into account collateral and CDS hedges, CSi's risk-based sovereign credit risk exposure to Portugal, Italy, Ireland, Greece and Spain as at 30 June 2014 was USD 5.9 billion (net exposure USD 1.0 billion). CSi's non-sovereign risk-based credit exposure to these countries as of the end of the interim period included gross exposure to financial institutions of USD 4.4 billion (net exposure USD 1.9 billion) and to corporate and other counterparties of USD 1.1 billion (net exposure USD 0.8 billion)

## Capital Resources

The Bank closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework. CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy. No breaches were reported to the PRA during the period.

Changes in senior and subordinated debt are set out in Note 14 – Long Term Debt. There were no changes in capital, refer Note 17 – Share Capital and Share Premium.

## Outlook

In 2014, CSi continued to make progress in executing its client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends. CSi is progressing towards achieving specific goals to reduce its cost base and strengthen its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014. CSi has further optimised its business footprint, continuing to shift resources to focus on growth in higher returning businesses, and reducing costs and capital in the non-strategic portfolio. As a result of this progress, CSi believes that it is better positioned to perform in a challenging market environment and compete in its chosen businesses and markets around the world.

CSi remains committed to offering its clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. CSi is focused on businesses in which the bank has a competitive advantage and is able to operate profitably with an attractive return on capital in the new regulatory environment. While the industry still faces significant adjustments to new regulatory requirements, CSi has significantly evolved its business model to one that is compliant with the Basel III regulatory framework. CSi will continue to invest in its market-leading, high-returning businesses while optimising its risk weighted assets and cost base to further improve returns.

In light of recent developments such as heightened regulatory focus on leverage, conduct risk, additional capital resource requirements under Basel III, and the migration of markets towards cleared and electronic trading, CSi is focusing on high volume, high liquidity electronic trading as part of its effort to migrate the business model to simplified and primarily exchange-cleared products in derivatives and reduce capital intensive structured activity.

## Dividends

No dividends have been paid for the period ended 30 June 2014 (2013: USD Nil).

## Directors

Changes in the directorate since 31 December 2013 and up to the date of this report are as follows:

Jason Forrester and Christopher Williams were appointed as Executive Directors with effect from 02 May 2014 and 12 June 2014 respectively.

None of the directors who held office at the end of the period was directly beneficially interested, at any time during the year, in the shares of the Bank.

Directors of the CSi group benefited from qualifying third party indemnity provisions in place during the interim period and at the date of this report.

## Subsequent Events

On 01 August 2014, Credit Suisse announced the sale of Prime Fund Services (PFS), a provider of fund administration, custody and banking solutions for alternative investment managers, to BNP Paribas. This includes the PFS business held within the Dublin Branch of the CSi group. The transaction is expected to close in 2015, subject to anti-trust and regulatory clearances.

# Credit Suisse International
## Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 28 August 2014:

Company Registration Number 2500199

Jason Forrester

Director

# Credit Suisse International

## Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2014 (Unaudited)

| | Reference to notes | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|---|
| **Condensed consolidated interim statement of comprehensive income (USD million)** | | | |
| Interest income | | 384 | 409 |
| Interest expense | | (339) | (467) |
| Net interest income/(expense) | 4 | 45 | (58) |
| Commission and fee income | | 76 | 87 |
| Commission and fee expense | | (71) | (66) |
| Net commission and fee income | 6 | 5 | 21 |
| Release of provision for credit losses | 5 | 3 | 6 |
| Net gains from financial assets/liabilities at fair value through profit or loss | 10 | 1,035 | 1,730 |
| Other revenue | 7 | (206) | (315) |
| **Net revenues** | | **882** | **1,384** |
| Compensation and benefits | 8 | (203) | (229) |
| General and administrative expenses | 9 | (578) | (702) |
| **Total operating expenses** | | **(781)** | **(931)** |
| **Profit before taxes** | | **101** | **453** |
| Income tax charge | 11 | (472) | (67) |
| **Net (loss)/profit/total comprehensive income** | | **(371)** | **386** |
| **Attributable to noncontrolling interest** | | **-** | **(2)** |
| **Attributable to Credit Suisse International shareholders** | | **(371)** | **388** |

Profit for both 2014 and 2013 is from continuing operations.

The notes on pages 12 to 57 are an integral part of these condensed interim financial statements.

# Credit Suisse International

## Condensed Consolidated Interim Statement of Financial Position as at 30 June 2014 (Unaudited)

| | Reference to notes | 30 June 2014 | 31 December 2013 (restated)[1] |
|---|---|---|---|
| **Assets (USD million)** | | | |
| Cash and due from banks | | 20,567 | 27,280 |
| Interest-bearing deposits with banks | | 7,680 | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | | 32,440 | 21,698 |
| Trading financial assets at fair value through profit or loss | 13 | 387,285 | 400,915 |
| of which positive market values from derivative instruments | 15 | 344,494 | 355,251 |
| Financial assets designated at fair value through profit or loss | | 18,303 | 20,564 |
| Other loans and receivables | | 4,363 | 4,470 |
| Other investments | | 32 | 34 |
| Investment property | | 442 | 466 |
| Current tax assets | | 65 | 65 |
| Deferred tax assets | 12 | 502 | 973 |
| Other assets | 16 | 48,298 | 39,673 |
| Property and equipment | | 216 | 224 |
| Intangible assets | | 394 | 434 |
| **Total assets** | | **520,587** | **517,081** |
| **Liabilities and shareholders' equity (USD million)** | | | |
| Deposits | | 5,195 | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | | 7,837 | 5,036 |
| Trading financial liabilities at fair value through profit or loss | 13 | 365,112 | 373,349 |
| of which negative market values from derivative instruments | 15 | 355,866 | 364,892 |
| Financial liabilities designated at fair value through profit or loss | | 35,612 | 31,829 |
| Short term borrowings | | 19,583 | 15,624 |
| Other liabilities | 16 | 32,974 | 39,426 |
| Provisions | | 20 | 14 |
| Long term debt | 14 | 29,597 | 21,443 |
| **Total liabilities** | | **495,930** | **492,053** |
| **Shareholders' equity** | | | |
| Called-up share capital | 17 | 13,108 | 13,108 |
| Share premium | 17 | 12,699 | 12,699 |
| Retained earnings | | (1,150) | (779) |
| **Total shareholders' equity** | | **24,657** | **25,028** |
| **Total liabilities and shareholders' equity** | | **520,587** | **517,081** |

The accompanying notes on pages 12 to 57 are an integral part of these condensed interim financial statements.

Approved by the Board of Directors on 28 August 2014 and signed on its behalf by:

Jason Forrester

Director

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

# Credit Suisse International

## Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2014 (Unaudited)

| | Called up Share Capital | Share Premium | Retained Earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Condensed consolidated interim statement of changes in equity (USD million)** | | | | | |
| **Balance at 1 January 2014** | 13,108 | 12,699 | (779) | - | 25,028 |
| **Total comprehensive income for the period** | | | | | |
| Net profit for the period | - | - | (371) | - | (371) |
| **Balance at 30 June 2014** | 13,108 | 12,699 | (1,150) | - | 24,657 |

| | Called up Share Capital | Share Premium | Retained Earnings | Non-controlling Interest | Total |
|---|---|---|---|---|---|
| **Condensed consolidated interim statement of changes in equity (USD million)** | | | | | |
| **Balance at 1 January 2013** | 3,108 | 12,699 | (240) | 22 | 15,589 |
| **Total comprehensive income for the period** | | | | | |
| Net profit for the period | - | - | 388 | (2) | 386 |
| **Balance at 30 June 2013** | 3,108 | 12,699 | 148 | 20 | 15,975 |

There were no dividends paid during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The accompanying notes on pages 12 to 57 are an integral part of these condensed interim financial statements.

# Credit Suisse International

## Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2014 (Unaudited)

| | Reference to notes | 30 June 2014 | 30 June 2013 |
|---|---|---|---|
| **Cash flows from operating activities (USD million)** | | | |
| Profit before tax for the period | | 101 | 453 |
| **Adjustments to reconcile net profit to net cash used in operating activities (USD million)** | | | |
| Non-cash items included in net profit before tax and other adjustments: | | | |
| ■ Depreciation and amortisation | | 126 | 117 |
| ■ Impairment of investment property | | 15 | 43 |
| ■ Loss on disposal of property and equipment | | 2 | 1 |
| ■ Loss on disposal of intangible assets | | 2 | 16 |
| ■ Accrued interest on long term debt | 4 | 156 | 209 |
| ■ Release of provision for credit losses | 5 | (3) | (6) |
| ■ Foreign exchange gains | | (329) | (186) |
| ■ Provisions | | 20 | 20 |
| Total adjustments | | (11) | 214 |
| **Cash generated before changes in operating assets and liabilities** | | **90** | **667** |
| Net decrease/(increase) in operating assets: | | | |
| ■ Securities purchased under resale agreements and securities borrowing transactions | | (10,742) | 417 |
| ■ Trading financial assets at fair value through profit or loss | | 13,632 | 104,483 |
| ■ Financial assets designated at fair value through profit or loss | | 2,261 | (2,495) |
| ■ Other loans and receivables | | 109 | 64 |
| ■ Other assets | | (8,625) | 6,839 |
| **Net decrease/ (increase) in operating assets** | | **(3,365)** | **109,308** |
| Net (decrease)/increase in operating liabilities: | | | |
| ■ Deposits | | (999) | 110 |
| ■ Securities sold under resale agreements and securities lending transactions | | 2,801 | 1,402 |
| ■ Trading financial liabilities at fair value through profit or loss | | (8,237) | (98,345) |
| ■ Financial liabilities designated at fair value through profit or loss | | 3,783 | (5,907) |
| ■ Short term borrowings | | 3,959 | (4,142) |
| ■ Other liabilities and provisions | | (6,417) | (4,094) |
| ■ Share based compensation | | (49) | (13) |
| **Net (decrease)/ increase in operating liabilities** | | **(5,159)** | **(110,989)** |
| ■ Income taxes refund | | 2 | 2 |
| ■ Income taxes paid | | - | (3) |
| **Net cash used in operating activities** | | **(8,432)** | **(1,015)** |
| **Cash flows from investing activities (USD million)** | | | |
| Sale of long leasehold land and building | | 10 | - |
| Capital expenditure for property, equipment and intangible assets | | (82) | (111) |
| **Net cash used in investing activities** | | **(72)** | **(111)** |
| **Cash flow from financing activities (USD million)** | | | |
| Issuance of long term debt | 14 | 9,738 | 2,730 |
| Repayment of long term debt | | (1,414) | (9,470) |
| **Net cash flow generated from / (used in) financing activities** | | **8,324** | **(6,740)** |
| **Net decrease in cash and due from banks** | | **(180)** | **(7,866)** |
| Cash and due from banks at beginning of period | | 25,198 | 19,022 |
| **Cash and due from banks at end of period (USD million)** | | **25,018** | **11,156** |
| Cash and due from banks | | 20,567 | 10,755 |
| Demand deposits | | 7,680 | (2,195) |
| Interest-bearing deposits with banks | | (3,229) | 2,596 |
| **Cash and due from banks at end of period (USD million)** | | **25,018** | **11,156** |

The accompanying notes on pages 12 to 57 are an integral part of these condensed interim financial statements.

## 1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2014 comprise CSi and its subsidiaries (together referred to as the 'CSi group').
The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 28 August 2014.

## 2. Significant Accounting Policies

### Basis of preparation

The accompanying unaudited condensed consolidated financial statements of the CSi group are prepared in accordance with IAS 34 "Interim Financial Reporting" ('IAS 34') as adopted for use in the European Union ('EU') and are stated in United States Dollars ('USD') rounded to the nearest million. Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the IFRS consolidated financial statements and notes thereto for the year ended 31 December 2013. Except as described below, the accounting policies applied by the CSi group in these condensed consolidated interim financial statements are the same as those applied by the CSi group in its consolidated financial statements for the year ended 31 December 2013. The accounting policies related to the basis of consolidation, equity method investments and netting are no longer applicable due to the adoption of recently effective accounting standards and instead are replaced by the requirements of IFRS 10, IFRS 11 and IAS 32 as described below.

The condensed consolidated interim financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments designated by the CSi group as at fair value through profit and loss.

The preparation of condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated Interim Statement of Financial Position and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from management's estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The CSi group and the Bank have unrestricted and direct access to funding sources of CSG. After making enquiries of CSG, the Directors of the Bank have received a confirmation that CSG will ensure that the Bank maintains a sound financial position and is able to meets its debt obligations for the foreseeable future. Accordingly the Directors have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

### Standards and Interpretations effective in the current period

The CSi group has adopted the following amendments in the current period:

- IFRS 10 Consolidated Financial Statements: In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. The adoption of IFRS 10 on 1 January 2014, did not have a material impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11 "Joint Arrangements" (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. The adoption of IFRS 11 on 1 January 2014, did not have an impact on the CSi group's financial position, results of operation or cash flows.

- IFRS 12 Disclosures of Interests in Other Entities: In May 2011, the IASB issued IFRS 12 "Disclosure of Interests in Other Entities" (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the financial statements to evaluate the nature of, and any associated risks of, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires certain disclosures, for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. As IFRS 12 requires disclosures only, the adoption thereof on 1 January 2014 did not have an impact on the CSi group's financial position, results of operation or cash flows. As these are condensed interim financial statements and there has not been any significant change in business during this interim reporting period, the disclosures required as a result of adoption will be included in the financial statements for the year ending 31 December 2014.

- IAS 27 Separate Financial Statements: In May 2011, the IASB issued an amended version of IAS 27 "Separate Financial Statements" (IAS 27). IAS 27 outlines the accounting and disclosure requirements for separate financial statements. The adoption of IAS 27 on 1 January 2014 had no impact as CSi does not prepare separate interim financial statements.

- IAS 28 Investments in Associates and Joint Ventures: In May 2011, the IASB issued IAS 28 "Investments in Associates" (IAS 28). The objective of IAS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of IAS 28 on 1 January 2014, did not have an impact on the CSi group's financial position, results of operation or cash flows.

- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amended IAS 32 restricts offsetting on the Statement of Financial Position to only those arrangements in which a right of set-off exists that is unconditional and legally enforceable, in the normal course of business and in the event of the default and bankruptcy or insolvency of the CSi group and its relevant counterparties and for which the CSi group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments also provide incremental guidance for determining when gross settlement systems result in the functional equivalent of net settlement. As a result of the adoption of the amendments, the CSi group does not net transactions where a legal opinion meeting the above criteria has not been obtained. The adoption on 1 January 2014 resulted in a restatement (increase) to both total assets and total liabilities of USD 7.1 billion, as at 31 December 2013. There was no impact on total equity, net profit or earnings per share.

- Transition guidance for IFRS 10, IFRS 11 and IFRS 12: In June 2012, the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities; Transition Guidance" (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Additionally, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The CSi group has adopted the requirements of this amendment with the provisions of IFRS 10, IFRS 11 and IFRS 12 as at 1 January 2014. As the transition guidance is clarifications to IFRS 10, IFRS 11 and IFRS 12, the impact is included in the adoption of the standards respectively.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued "Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27" (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. The adoption of the Investment Entities Amendment on 1 January 2014, did not have an impact on the CSi group's financial position, results of operation or cash flows.

- IFRIC 21 Levies: In May 2013, the IASB issued "Levies" (IFRIC 21). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The adoption of IFRIC 21 on 1 January 2014, did not have an impact on the CSi group's financial position, results of operation or cash flows.

### Standards and Interpretations not endorsed by the EU and not yet effective

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The CSi group is currently evaluating the impact of adopting IFRS 9.

- Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle: In December 2013, the IASB issued both "Annual Improvements to IFRSs Cycle 2010-2012" and "Annual Improvements to IFRSs Cycle 2011-2013" (Improvements to IFRSs), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRSs are effective for annual periods beginning on or after 1 July 2014. The CSi group is currently evaluating the impact of adopting these Improvements to IFRSs.

- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued "Revenue from Contracts with Customers" (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. The CSi group is currently evaluating the impact of adopting IFRS 15.

The accounting policies have been applied consistently by all CSi group entities.

Certain reclassifications have been made to the prior year Condensed Consolidated Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net (loss)/ income or total shareholders' equity.

## 3. Segmental Analysis

The CSi group has three reportable segments that are regularly reviewed by the CSi Board when assessing the performance and allocation of resources. These segments are based on products and services offerings of the CSi group:

| | |
|---|---|
| Fixed Income: | The fixed income division (FID) operates in rates, foreign exchange, credit, structured products trading, emerging markets, and commodities markets. The operations also include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination, CMBS and Commodities. The product suite covers both cash and OTC derivatives including government bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps, and listed options across product classes. |
| Equities: | The activities of the equities division include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities. |
| Investment banking: | The investment banking division ('IBD') service offering includes mergers and acquisitions, debt, equity and other capital raising activities. |

Segment performance is assessed by management based on the monthly 'Financial Results' summary report, which details revenues by segment. The CSi group assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CSi Board does assess the overall expense base for the CSi group, it does not manage the expenses at a CSi group segment level.

In addition, certain revenue items are not directly allocated to the above business segments at a CSi Bank level. These items include transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which the CSi group may earn revenues.

Transactions between reportable segments are held at an arm's length basis and are included in the segment result.

The following table shows the external revenue of each operating segment during the periods:

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Revenues (USD million)** | | |
| Fixed Income | 671 | 1,227 |
| Equities | 435 | 556 |
| Investment banking | 120 | 92 |
| **Total** | **1,226** | **1,875** |

The following table shows the CSi group's revenue by managed region which generates the revenue:

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Revenues (USD million)** | | |
| EMEA[1] | 782 | 1,202 |
| Americas | 213 | 282 |
| Asia | 231 | 391 |
| **Total** | **1,226** | **1,875** |

1 EMEA is defined as Europe, Middle East and Africa excluding Switzerland and Luxembourg.

### Reconciliation of reportable segment revenues

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Reconciliation of reportable segment revenues (USD million)** | | |
| Total revenues for reportable segments – Management Information | 1,226 | 1,875 |
| Revenue sharing agreements | (222) | (305) |
| Treasury funding | (154) | (225) |
| Other corporate items[1] | (56) | (66) |
| CS group to primary reporting reconciliations[2] | 88 | 105 |
| **Net Revenues per statement of comprehensive income** | **882** | **1,384** |

1. Significant item being fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness.
2. This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS, and also includes the impact of adopting IFRS13.

The CSi group is not reliant on any single customer for its revenue generation.

### CSi group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totalling USD 1,052 million (31 December 2013: USD 1,124 million), all of which are located in EMEA.

## 4. Net Interest Income/(Expense)

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Net interest expense (USD million)** | | |
| Other loans and receivables | 196 | 242 |
| Securities purchased under resale agreements and securities borrowing transactions | 46 | 74 |
| Cash collateral paid on OTC derivatives transactions | 33 | 38 |
| Cash and cash equivalents and loans | 109 | 55 |
| **Interest income** | **384** | **409** |
| Deposits | (1) | (7) |
| Short term borrowings | (94) | (165) |
| Securities sold under resale agreements and securities lending transactions | (32) | (45) |
| Long term debt | (156) | (209) |
| Cash collateral received on OTC derivatives transactions | (56) | (41) |
| **Interest expense** | **(339)** | **(467)** |
| **Net interest income/( expense)** | **45** | **(58)** |

## 5. Release of Provision for Credit Losses

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Release of provision for credit losses (USD million)** | | |
| Additional provision for credit losses | (6) | (6) |
| Release of provision for credit losses | 9 | 12 |
| **Release of provision for credit losses** | **3** | **6** |

## 6. Commission and Fee Income

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Commission and fee income (USD million)** | | |
| Lending business | 76 | 87 |
| Other customer services | (71) | (66) |
| **Net commission and fee income** | **5** | **21** |
| Total commission and fee income | 76 | 87 |
| Total commission and fee expense | (71) | (66) |
| **Net commission and fee income** | **5** | **21** |

## 7. Other Revenue

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Other Revenue (USD million)** | | |
| Revenue sharing agreement expense | (222) | (305) |
| Other | 16 | (10) |
| **Other revenue** | **(206)** | **(315)** |

The revenue sharing agreement expense principally relates to revenue sharing agreements between the CSi group and other CS group companies.

## 8. Compensation and Benefits

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Compensation and Benefits (USD million)** | | |
| Salaries and variable compensation | (176) | (196) |
| Social security | (19) | (25) |
| Pensions | (7) | (6) |
| Other | (1) | (2) |
| **Compensation and benefits** | **(203)** | **(229)** |

## 9. General and Administrative Expenses

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **General and administrative expenses (USD million)** | | |
| Amortisation expenses | (95) | (84) |
| Depreciation expenses | (33) | (33) |
| Impairment of intangible assets and investment property | (17) | (43) |
| Brokerage charges and clearing house fees | (139) | (167) |
| Professional services | (13) | (19) |
| CSG trademark | (2) | (9) |
| Marketing data, publicity and subscriptions | (9) | (10) |
| Net overheads allocated from other CS group entities | (180) | (266) |
| Non income taxes | (8) | (8) |
| Other | (82) | (63) |
| **General and administrative expenses** | **(578)** | **(702)** |

During 2011 the UK Government introduced a new levy, the UK Bank Levy, for all Banks and Banking groups operating in the UK. The Levy is charged on a firm's liabilities as at the statement of financial position date (i.e. 31 December 2014) at a rate of 15.6 basis points for all short-term liabilities and 7.8 basis points for long-term liabilities. Under current accounting requirements (IFRIC 21), the Bank Levy charge will only be recognised in the financial statements on 31 December each year. The estimate for the liability in respect of 2014 is USD 56 million (2013: USD 57 million).

## 10. Net Gains from Financial Assets/Liabilities at Fair Value Through Profit or Loss

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Net gains from financial assets/liabilities designated at fair value through profit or loss (USD million)** | | |
| Interest rate | 3,820 | 27 |
| Foreign exchange | (2,911) | 1,037 |
| Equity | 37 | (114) |
| Commodity | 79 | 538 |
| Credit | (67) | 192 |
| Other | 77 | 50 |
| **Total net gains from financial assets/liabilities at fair value through profit or loss** | **1,035** | **1,730** |

## 11. Income Tax

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Income tax (USD million)** | | |
| Current tax | (1) | - |
| Deferred tax | (471) | (67) |
| **Income tax charge** | **(472)** | **(67)** |

The income tax charge for the period can be reconciled to the profit per the Condensed Consolidated Interim Statement of Comprehensive Income as follows:

| | Six month period ended 30 June 2014 | Six month period ended 30 June 2013 |
|---|---|---|
| **Income tax reconciliation (USD million)** | | |
| Profit before tax | 101 | 453 |
| Profit before tax multiplied by the UK statutory rate of corporation tax of 21.49% (2013: 23.25%) | (22) | (106) |
| Effect of deferred tax resulting from changes to tax rates | (7) | - |
| Other permanent differences | 8 | 38 |
| Adjustments to current tax in respect of previous periods | - | 1 |
| Adjustments to deferred tax in respect of previous periods | (1) | - |
| Impairment of deferred tax asset | (450) | - |
| **Income tax charge** | **(472)** | **(67)** |

The UK corporation tax rate reduced from 23% to 21% with effect from 1 April 2014. Furthermore, the UK corporation tax rate will reduce from 21% to 20% with effect from 1 April 2015.

## 12. Deferred Tax Asset

| | Balance as at 1 January 2014 | Debit to income for the period | Effect of change in tax rate | Balance as at 30 June 2014 |
|---|---|---|---|---|
| **(USD million)** | | | | |
| Deferred tax asset | 973 | (464) | (7) | 502 |
| **Deferred tax asset** | | | | |

| | Balance as at 1 January 2013 | Debit to income for the period | Effect of change in tax rate | Balance as at 31 Dec 2013 |
|---|---|---|---|---|
| **(USD million)** | | | | |
| Deferred tax asset | 1,450 | (290) | (187) | 973 |
| **Deferred tax asset** | | | | |

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20% (June 2013: 23%).

Deferred tax assets ('DTA') and liabilities are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date. The realisation of DTA on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of DTA on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether DTA can be realised and if not makes an impairment.

In evaluating whether DTA can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of recent losses of the Bank (primarily arising from the financial crisis that started in late 2008 and thereafter). The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of DTA that is realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, it was considered that the DTA should be impaired by a further USD 450 million in the period (31 December 2013: USD 319 million). The Bank's assessment is that remaining recognised trading losses carried forward should be utilised within a period of 4 years. If strategies and business plans significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

## 13. Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss

| | 30 June 2014 | 31 December 2013 (restated)[1] |
|---|---|---|
| **Trading financial assets at fair value through profit or loss (USD million)** | | |
| Debt securities | 25,497 | 31,046 |
| Equity securities | 14,284 | 12,060 |
| Derivative instruments | 344,494 | 355,251 |
| Other | 3,010 | 2,558 |
| **Trading financial assets at fair value through profit or loss** | **387,285** | **400,915** |

| | 30 June 2014 | 31 December 2013 (restated)[1] |
|---|---|---|
| **Trading financial liabilities at fair value through profit or loss (USD million)** | | |
| Short positions | 9,170 | 8,439 |
| Derivative instruments | 355,866 | 364,892 |
| Other | 76 | 18 |
| **Total trading financial liabilities at fair value through profit or loss** | **365,112** | **373,349** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

## 14. Long Term Debt

| | Balance as at 1 January 2014 | Issuances | Repayments and other movements | Translation FX and Interest movements | Balance as at 30 June 2014 |
|---|---|---|---|---|---|
| **Long term debt (USD million)** | | | | | |
| Senior debt | 11,730 | 9,738 | (16) | (229) | 21,223 |
| Subordinated debt | 9,713 | - | (1,398) | 59 | 8,374 |
| **Total Long Term Debt** | **21,443** | **9,738** | **(1,414)** | **(170)** | **29,597** |

| | Balance as at 1 January 2013 | Issuances | Repayments and other movements | Translation, FX and Interest movements | Balance as at 31 December 2013 |
|---|---|---|---|---|---|
| **Long term debt (USD million)** | | | | | |
| Senior debt | 22,283 | 114 | (10,796) | 129 | 11,730 |
| Subordinated debt | 8,371 | 2,625 | (1,525) | 242 | 9,713 |
| **Total Long Term Debt** | **30,654** | **2,739** | **(12,321)** | **371** | **21,443** |

The increase in senior debt was principally as a result of a EUR 7 billion borrowing from a CS group company with a maturity of 400 days.

## 15. Derivatives

| 30 June 2014 | Gross Derivative Assets | Gross Derivative Liabilities |
|---|---|---|
| **Derivatives (USD million)** | | |
| Interest rate products | 450,315 | 440,390 |
| Foreign exchange products | 52,378 | 67,665 |
| Equity/indexed-related products | 32,386 | 34,525 |
| Credit products | 32,764 | 32,638 |
| Other products | 3,717 | 3,362 |
| **Total Derivative Instruments** | **571,560** | **578,580** |

| 31 December 2013 (restated)[1] | Gross Derivative Assets | Gross Derivative Liabilities |
|---|---|---|
| **Derivatives (USD million)** | | |
| Interest rate products | 509,122 | 502,411 |
| Foreign exchange products | 65,998 | 78,076 |
| Equity/indexed-related products | 36,172 | 37,416 |
| Credit products | 34,603 | 34,796 |
| Other products | 4,280 | 4,691 |
| **Total Derivative Instruments** | **650,175** | **657,390** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

## Offsetting of derivative instruments

| (USD Millions) CSi Group | 30 June 2014 Gross | Offsetting | Net | 31 December 2013 (restated)[1] Gross | Offsetting | Net |
|---|---|---|---|---|---|---|
| **Derivative Assets** | | | | | | |
| Derivative instruments subject to master netting agreements or similar agreements | 565,553 | (227,066) | 338,487 | 643,799 | (294,924) | 348,875 |
| Derivative instruments not subject to master netting agreements or similar agreements[2] | 6,007 | - | 6,007 | 6,376 | - | 6,376 |
| **Total derivative instruments presented in the consolidated Statement of Financial Position** | **571,560** | **(227,066)** | **344,494** | **650,175** | **(294,924)** | **355,251** |
| of which recorded in trading financial assets at fair value through profit or loss | 571,560 | (227,066) | 344,494 | 650,175 | (294,924) | 355,251 |
| **Derivative Liabilities** | | | | | | |
| Derivative instruments subject to master netting agreements or similar agreements | 571,489 | (222,714) | 348,775 | 648,593 | (292,498) | 356,095 |
| Derivative instruments not subject to master netting agreements or similar agreements[2] | 7,091 | - | 7,091 | 8,797 | - | 8,797 |
| **Total derivative instruments presented in the consolidated Statement of Financial Position** | **578,580** | **(222,714)** | **355,866** | **657,390** | **(292,498)** | **364,892** |
| of which recorded in trading financial liabilities at fair value through profit or loss | 578,580 | (222,714) | 355,866 | 657,390 | (292,498) | 364,892 |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

[2] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

### PAF2 transaction

As part of the 2011 annual compensation process, certain employees were awarded a portion of their deferred variable compensation in the form of 2011 Partner Asset Facility ('PAF2') units. PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief was no longer available after December 31, 2013. As a result, in March 2014 CSG terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of one of the following options, or a combination thereof:

Capital Opportunity Facility: Participants elect for all or part of their PAF2 award to be referenced to a Capital Opportunity Facility ('COF'). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions chosen by the Partner Asset Facility management team. Participants who elect for the COF will receive distributions of 6.5% per annum until maturity;

Contingent Capital Awards: Participants elect to receive Contingent Capital Awards ('CCA'), with similar terms to the instruments used as part of the 2013 compensation awards. Settlement is expected to occur in early 2016, subject to regulatory approvals.

## 16. Other Assets and Other Liabilities

| | 30 June 2014 | 31 December 2013 (restated)[1] |
|---|---|---|
| **Other assets (USD million)** | | |
| Brokerage receivables | 3,961 | 4,608 |
| Interest and fees receivable | 221 | 196 |
| **Cash collateral on derivative instruments** | | |
| ▪ Banks | 25,720 | 15,342 |
| ▪ Customers | 18,169 | 19,334 |
| Other | 227 | 193 |
| **Other assets** | **48,298** | **39,673** |

| | 30 June 2014 | 31 December 2013 (restated)[1] |
|---|---|---|
| **Other liabilities (USD million)** | | |
| Brokerage payables | 1,212 | 1,250 |
| Interest and fees payable | 812 | 943 |
| **Cash collateral on derivative instruments** | | |
| ▪ Banks | 16,069 | 16,308 |
| ▪ Customers | 14,178 | 12,302 |
| Failed sales | 48 | 69 |
| Share-based compensation liability | 97 | 147 |
| Other | 558 | 8,407 |
| **Other liabilities** | **32,974** | **39,426** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

## 17. Called-up Share Capital and Share Premium

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Allotted, called up and fully paid share capital (USD)** | | |
| Ordinary voting shares of USD 0.1 each | 13 | 13 |
| Participating non-voting shares of USD 0.1 each | 13,107,655,992 | 13,107,655,992 |
| | 13,107,656,005 | 13,107,656,005 |

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Share Premium (USD)** | | |
| Opening balance | 12,698,984,345 | 12,698,984,345 |
| **Closing balance** | **12,698,984,345** | **12,698,984,345** |

The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

The Participating Shares do not carry voting rights but carry the right to receive dividends. In all other respects the Participating Shares and the Ordinary Shares rank pari passu.

## 18. Contingent Liabilities and Commitments

The Bank is party to various legal proceedings as part of its normal course of business. The Directors of the Bank believe that the aggregate liability, if any, resulting from these proceedings will not materially prejudice the financial position of the Bank and have been provided for where deemed necessary and in accordance with accounting policy.

In July 2013, the Directorate General for Competition of the European Commission ('DG Comp') issued a Statement of Objections ('SO') to various entities of thirteen CDS dealer banks, certain Markit entities and the International Swaps and Derivatives Association, Inc. ('ISDA') in relation to its investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities, including CSi. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. The next step in the process is for the named entities to provide written responses. In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the United States Department of Justice.

CSi is the defendant in English court litigation brought by Rosserlane Consultants Limited and Swinbrook Developments Limited (the "claimants"). The litigation relates to the forced sale by CSi in 2008 of Caspian Energy Group LP ('CEG'), the vehicle through which the claimants held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful M&A processes. The claimants allege that CEG should have been sold for at least USD 700 million. CSi will be vigorously defending the claims, which it believes are without merit. The trial is fixed to commence in October 2014.

On 16 June 2014 the UK Financial Conduct Authority imposed a financial penalty of GBP 2,398,100 against CSi in respect of inadequacies relating to the prominence of the maximum return and the explanation of the early exit fee in certain financial promotions for capital protected structured deposit products sold to UK retail customers between November 2009 and June 2012. CSi is also required to conduct a past business review (in conjunction with distributors of the products) under which affected retail customers will be eligible to claim compensation. The Issuer does not believe that the likely costs of the past business review will materially impact its financial position.

## 19. Related Party

CSi group is controlled by Credit Suisse Group AG, its ultimate parent, which is incorporated in Switzerland. CSi's parent company, who holds a majority of the voting rights in the undertaking, is Credit Suisse AG, which is also incorporated in Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via the use of loans/deposits and repurchase/resale agreements. The CSi group is also charged by other CS group companies for operating costs which mainly relate to employee-related services and other business expenses.

The CSi group generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

The nature of related party transactions remained consistent for the six months ended 30 June 2014 compared to the year ended 31 December 2013.

## 20. Financial Instruments Risk Position

The CS group, of which the CSi group is a part, manages its risks under global policies. The CS group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CS group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputation risk.

There have been no material changes in the risk management policies since the year ended 31 December 2013.

### Development of trading portfolio risks

The table below shows the trading related market risk exposure for the CSi group, as measured by ten-day 99% Value at Risk ('VaR'). The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio. There is no material difference in VaR between the Bank and the CSi group.

| Ten-day, 99% VaR – trading portfolios | Interest rate and credit spread | Foreign exchange | Commodity | Equity | Diversification benefit[1] | Total |
|---|---|---|---|---|---|---|
| **30 June 2014 (USD million)** | | | | | | |
| Average | 80 | 21 | 6 | 19 | (81) | 45 |
| Minimum | 35 | 12 | 2 | 12 | - | 33 |
| Maximum | 140 | 74 | 14 | 28 | - | 69 |
| End of period | 57 | 18 | 10 | 24 | (63) | 46 |
| **31 December 2013 (USD million)** | | | | | | |
| Average | 73 | 17 | 8 | 21 | (62) | 57 |
| Minimum | 34 | 6 | 2 | 11 | - | 26 |
| Maximum | 124 | 43 | 19 | 86 | - | 113 |
| End of period | 35 | 15 | 6 | 21 | (39) | 38 |

1) VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.
2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

### VaR results

The Bank's ten-day, 99% regulatory VaR as of 30 June 2014 was USD 46 million (31 December 2013: USD 38 million).

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including back testing. In line with industry practice, the Bank presents back testing using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A back testing exception occurs when the daily loss exceeds the daily VaR estimate.

### Interest rate sensitivity position in the non-trading portfolio

Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of USD 1.2 million as of 30 June 2014 compared to USD 1.1 million as of 31 December 2013. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 30 June 2014, the fair value impacts of 200-basis-point move in yield curves (flooring at zero where appropriate) was:

+200bps increase of USD 245 million (31 December 2013: USD 205 million)

-200bps decrease of USD 159 million (31 December 2013: USD 155 million)

The fair value impact of a statistical one-year, 99% adverse change in yield curves was a decrease of USD 183 million (31 December 2013: USD 73 million). Both measures are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

### Net Counterparty Exposure before Collateral by Internal Rating

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| AAA | 2,654 | 4 | 2,725 | 4 |
| AA+ to AA- | 14,866 | 22 | 14,605 | 22 |
| A+ to A- | 19,703 | 29 | 20,588 | 30 |
| BBB+ to BBB- | 15,055 | 22 | 14,566 | 22 |
| BB+ to BB- | 8,042 | 12 | 7,860 | 12 |
| B+ and below | 7,566 | 11 | 7,054 | 10 |
| | **67,886** | **100** | **67,398** | **100** |

### Net Unsecured Exposure by Internal Rating (including provisions)

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | USD million | % | USD million | % |
| AAA | 3,238 | 10 | 3,159 | 10 |
| AA+ to AA- | 10,299 | 30 | 9,373 | 29 |
| A+ to A- | 11,020 | 33 | 10,939 | 34 |
| BBB+ to BBB- | 3,867 | 12 | 3,526 | 11 |
| BB+ to BB- | 1,051 | 3 | 1,142 | 4 |
| B+ and below | 3,956 | 12 | 3,813 | 12 |
| | **33,431** | **100** | **31,952** | **100** |

## 21. Financial Instruments

The disclosure of the CSi group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit);

## Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

## Financial assets and liabilities by categories

### As at 30 June 2014

| Financial assets (USD million) | Carrying value: Total carrying value | Held for trading | Designated at fair value | Loans and receivables | Other amortised cost | Total fair value |
|---|---|---|---|---|---|---|
| Cash and due from banks | **20,567** | - | - | - | 20,567 | 20,567 |
| Interest-bearing deposits with banks | **7,680** | - | - | - | 7,680 | 7,680 |
| Securities purchased under resale agreements and securities borrowing transactions | **32,440** | - | - | - | 32,440 | 32,440 |
| Trading financial assets at fair value through profit or loss | **387,285** | 387,285 | - | - | - | 387,285 |
| Financial assets designated at fair value through profit or loss | **18,303** | - | 18,303 | - | - | 18,303 |
| Other loans and receivables | **4,363** | - | - | 4,363 | - | 4,363 |
| Other investments | **32** | - | - | - | 32 | 32 |
| Other assets | **48,298** | - | - | - | 48,298 | 48,298 |
| **Total financial assets** | **518,968** | **387,285** | **18,303** | **4,363** | **109,017** | **518,968** |
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | **5,195** | - | - | - | 5,195 | 5,195 |
| Securities sold under repurchase agreements and securities lending transactions | **7,837** | - | - | - | 7,837 | 7,837 |
| Trading financial liabilities at fair value through profit or loss | **365,112** | 365,112 | - | - | - | 365,112 |
| Financial liabilities designated at fair value through profit or loss | **35,612** | - | 35,612 | - | - | 35,612 |
| Short term borrowings | **19,583** | - | - | - | 19,583 | 19,583 |
| Other liabilities | **29,597** | - | - | - | 29,597 | 29,597 |
| Long term debt | **32,974** | - | - | - | 32,974 | 32,974 |
| **Total financial liabilities** | **495,910** | **365,112** | **35,612** | **-** | **95,186** | **495,910** |

## As at 31 December 2013 (restated)[1]

| Financial assets (USD million) | Carrying value | | | | | Total fair value |
|---|---|---|---|---|---|---|
| | Total carrying value | Held for trading | Designated at fair value | Loans and receivables | Other amortised cost | |
| Cash and due from banks | **27,280** | - | - | - | 27,280 | 27,280 |
| Interest-bearing deposits with banks | **285** | - | - | - | 285 | 285 |
| Securities purchased under resale agreements and securities borrowing transactions | **21,698** | - | - | - | 21,698 | 21,698 |
| Trading financial assets at fair value through profit or loss | **400,915** | 400,915 | - | - | - | 400,915 |
| Financial assets designated at fair value through profit or loss | **20,564** | - | 20,564 | - | - | 20,564 |
| Other loans and receivables | **4,470** | - | - | 4,470 | - | 4,450 |
| Other investments | **34** | - | - | - | 34 | 34 |
| Other assets | **39,673** | - | - | - | 39,673 | 39,673 |
| **Total financial assets** | **514,919** | **400,915** | **20,564** | **4,470** | **88,970** | **514,899** |
| **Financial liabilities (USD million)** | | | | | | |
| Deposits | **5,332** | - | - | - | 5,332 | 5,332 |
| Securities sold under repurchase agreements and securities lending transactions | **5,036** | - | - | - | 5,036 | 5,036 |
| Trading financial liabilities at fair value through profit or loss | **373,349** | 373,349 | - | - | - | 373,349 |
| Financial liabilities designated at fair value through profit or loss | **31,829** | - | 31,829 | - | - | 31,829 |
| Short term borrowings | **15,624** | - | - | - | 15,624 | 15,624 |
| Other liabilities | **39,426** | - | - | - | 39,426 | 39,426 |
| Long term debt | **21,443** | - | - | - | 21,443 | 21,395 |
| **Total financial liabilities** | **492,039** | **373,349** | **31,829** | **-** | **86,861** | **491,991** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

## Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSi group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain commercial papers ('CP'), most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO') securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swap ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSi group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSi group reflects the net exposure to credit risk for its derivative instruments where the CSi group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

## Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSi group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that are not based on observable market date (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 30 June 2014 | Level 1 | Level 2 | Level 3 | Impact of netting[2] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **9,988** | **14,317** | **1,192** | **-** | **25,497** |
| of which foreign governments | 9,923 | 2,257 | 22 | - | 12,202 |
| of which corporates | 65 | 11,606 | 1,055 | - | 12,726 |
| of which residential mortgage backed securities | - | 454 | - | - | 454 |
| of which commercial mortgage backed securities | - | - | 115 | - | 115 |
| **Equity securities** | **10,873** | **3,331** | **80** | **-** | **14,284** |
| **Derivatives** | **6,422** | **560,292** | **4,846** | **(227,066)** | **344,494** |
| of which interest rate products | 147 | 448,504 | 1,664 | (218,829) | 231,486 |
| of which foreign exchange products | 75 | 51,906 | 397 | - | 52,378 |
| of which equity/index-related products | 5,871 | 25,304 | 1,211 | (8,237) | 24,149 |
| of which credit derivatives | - | 31,321 | 1,443 | - | 32,764 |
| of which other derivative products | 329 | 3,257 | 131 | - | 3,717 |
| **Other** | **-** | **2,059** | **951** | **-** | **3,010** |
| **Trading financial assets at fair value through profit or loss** | **27,283** | **579,999** | **7,069** | **(227,066)** | **387,285** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **5,531** | **-** | **-** | **5,531** |
| **Loans** | **-** | **5,323** | **4,202** | **-** | **9,525** |
| of which commercial and industrial loans | - | 579 | 1,346 | - | 1,925 |
| of which loans to financial institutions | - | 4,302 | 1,906 | - | 6,208 |
| of which government and public institutions | - | 394 | 950 | - | 1,344 |
| of which real estate | - | 48 | - | - | 48 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **3,006** | **241** | **-** | **3,247** |
| of which failed purchases | - | 2,949 | 187 | - | 3,136 |
| of which other | - | 57 | 54 | - | 111 |
| **Financial assets designated at fair value through profit or loss** | **-** | **13,860** | **4,443** | **-** | **18,303** |
| **Total assets at fair value** | **27,283** | **593,859** | **11,512** | **(227,066)** | **405,588** |

[2] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 30 June 2014 | Level 1 | Level 2 | Level 3 | Impact of netting[2] | Total at fair value |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **2,574** | **1,400** | **-** | **-** | **3,974** |
| of which UK government | 137 | 5 | - | - | 142 |
| of which foreign governments | 2,423 | 837 | - | - | 3,260 |
| of which corporates | 14 | 558 | - | - | 572 |
| **Equity securities** | **5,045** | **151** | **-** | **-** | **5,196** |
| **Other securities** | **71** | **5** | **-** | **-** | **76** |
| **Derivatives** | **6,147** | **567,266** | **5,167** | **(222,714)** | **355,866** |
| of which interest rate products | 60 | 439,280 | 1,050 | (214,477) | 225,913 |
| of which foreign exchange products | 69 | 66,817 | 779 | - | 67,665 |
| of which equity/index-related products | 5,659 | 27,320 | 1,547 | (8,237) | 26,289 |
| of which credit derivatives | - | 30,941 | 1,697 | - | 32,638 |
| of which other derivative products | 359 | 2,908 | 94 | - | 3,361 |
| **Trading financial liabilities at fair value through profit or loss** | **13,837** | **568,822** | **5,167** | **(222,714)** | **365,112** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **9,923** | **-** | **-** | **9,923** |
| **Short term borrowings** | **-** | **2,027** | **106** | **-** | **2,133** |
| **Long term debt** | **-** | **17,638** | **5,003** | **-** | **22,641** |
| of which structured notes between one and two years | - | 1,032 | 152 | - | 1,184 |
| of which other debt instruments between one and two years | - | 211 | 55 | - | 266 |
| of which treasury debt over two years | - | 318 | - | - | 318 |
| of which structured notes over two years | - | 6,763 | 3,552 | - | 10,315 |
| of which other debt instruments over two years | - | 8,831 | 1,228 | - | 10,059 |
| of which non-recourse liabilities | - | 483 | 16 | - | 499 |
| **Other financial liabilities designated at fair value through profit or loss** | **22** | **652** | **241** | **-** | **915** |
| of which failed sales | 22 | 649 | 233 | - | 904 |
| **Financial liabilities designated at fair value through profit or loss** | **22** | **30,240** | **5,350** | **-** | **35,612** |
| **Total liabilities at fair value** | **13,859** | **599,062** | **10,517** | **(222,714)** | **400,724** |
| **Net assets/liabilities at fair value** | **13,424** | **(5,203)** | **995** | **(4,352)** | **4,864** |

[2] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

| 31 December 2013 (restated)[1] | Level 1 | Level 2 | Level 3 | Impact of netting[2] | Total at fair value |
|---|---|---|---|---|---|
| **Assets (USD million)** | | | | | |
| **Debt securities** | **13,213** | **16,271** | **1,562** | **-** | **31,046** |
| of which foreign governments | 13,192 | 3,776 | 256 | - | 17,224 |
| of which corporates | 21 | 12,305 | 1,187 | - | 13,513 |
| of which residential mortgage backed securities | - | 190 | - | - | 190 |
| of which commercial mortgage backed securities | - | - | 119 | - | 119 |
| **Equity securities** | **9,580** | **2,349** | **131** | **-** | **12,060** |
| **Derivatives** | **4,174** | **640,898** | **5,103** | **(294,924)** | **355,251** |
| of which interest rate products | 271 | 507,292 | 1,559 | (287,012) | 222,110 |
| of which foreign exchange products | 10 | 65,508 | 480 | - | 65,998 |
| of which equity/index-related products | 3,601 | 31,047 | 1,524 | (7,847) | 28,325 |
| of which credit derivatives | - | 33,073 | 1,530 | - | 34,603 |
| of which other derivative products | 292 | 3,978 | 10 | (65) | 4,215 |
| **Other** | **-** | **1,588** | **970** | **-** | **2,558** |
| **Trading financial assets at fair value through profit or loss** | **26,967** | **661,106** | **7,766** | **(294,924)** | **400,915** |
| **Securities purchased under resale agreements and securities borrowing transactions** | **-** | **7,445** | **152** | | **7,597** |
| **Loans** | **-** | **6,062** | **4,431** | **-** | **10,493** |
| of which commercial and industrial loans | - | 2,595 | 1,356 | - | 3,951 |
| of which loans to financial institutions | - | 3,118 | 1,978 | - | 5,096 |
| of which government and public institutions | - | 349 | 1,097 | - | 1,446 |
| **Other financial assets designated at fair value through profit or loss** | **-** | **2,321** | **153** | **-** | **2,474** |
| of which failed purchases | - | 2,292 | 90 | - | 2,382 |
| of which other | - | 29 | 63 | - | 92 |
| **Financial assets designated at fair value through profit or loss** | **-** | **15,828** | **4,736** | **-** | **20,564** |
| **Total assets at fair value** | **26,967** | **676,934** | **12,502** | **(294,924)** | **421,479** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

[2] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting

## Fair value of assets and liabilities measured at fair value on a recurring basis

| **31 December 2013** (restated)[1] | **Level 1** | **Level 2** | **Level 3** | **Impact of netting**[2] | **Total at fair value** |
|---|---|---|---|---|---|
| **Liabilities (USD million)** | | | | | |
| **Debt securities** | **1,951** | **928** | **-** | **-** | **2,879** |
| of which UK government | 73 | - | - | - | 73 |
| of which foreign governments | 1,863 | 632 | - | - | 2,495 |
| of which corporates | 15 | 296 | - | - | 311 |
| **Equity securities** | **5,560** | **-** | **-** | | **5,560** |
| **Other securities** | **18** | **-** | **-** | **-** | **18** |
| **Derivatives** | **3,526** | **647,977** | **5,887** | **(292,498)** | **364,892** |
| of which interest rate products | 67 | 501,316 | 1,028 | (284,585) | 217,826 |
| of which foreign exchange products | 18 | 77,019 | 1,039 | - | 78,076 |
| of which equity/index-related products | 3,127 | 32,196 | 2,093 | (7,847) | 29,569 |
| of which credit derivatives | - | 33,108 | 1,688 | - | 34,796 |
| of which other derivative products | 314 | 4,338 | 39 | (66) | 4,625 |
| **Trading financial liabilities at fair value through profit or loss** | **11,055** | **648,905** | **5,887** | **(292,498)** | **373,349** |
| **Securities sold under resale agreements and securities borrowing transactions** | **-** | **8,110** | **129** | **-** | **8,239** |
| **Short term borrowings** | **-** | **1,591** | **218** | **-** | **1,809** |
| **Long term debt** | **-** | **15,742** | **4,759** | **-** | **20,501** |
| of which structured notes between one and two years | - | 971 | 283 | - | 1,254 |
| of which other debt instruments between one and two years | - | 194 | 28 | - | 222 |
| of which treasury debt over two years | - | 315 | - | - | 315 |
| of which structured notes over two years | - | 5,002 | 3,146 | - | 8,148 |
| of which other debt instruments over two years | | 8,342 | 1,302 | - | 9,644 |
| of which non-recourse liabilities | - | 918 | - | - | 918 |
| **Other financial liabilities designated at fair value through profit or loss** | **-** | **921** | **359** | **-** | **1,280** |
| of which failed sales | - | 914 | 333 | - | 1,247 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **26,364** | **5,465** | **-** | **31,829** |
| **Total liabilities at fair value** | **11,055** | **675,269** | **11,352** | **(292,498)** | **405,178** |
| **Net assets/liabilities at fair value** | **15,912** | **1,665** | **1,150** | **(2,426)** | **16,301** |

[1] On 1 January 2014, the CSi group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

[2] Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

## Transfers between Level 1 and Level 2

The table below shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

| | 30 June 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| **Assets (USD million)** | **Transfers out of level 1 to level 2** | **Transfers to level 1 out of level 2** | **Transfers out of level 1 to level 2** | **Transfers to level 1 out of level 2** |
| Trading financial assets at fair value through profit or loss | 1 | 4,559 | 23 | 4,962 |
| **Total transfers in assets at fair value** | **1** | **4,559** | **23** | **4,962** |
| | | | | |
| **Liabilities (USD million)** | | | | |
| Trading financial liabilities at fair value through profit or loss | 17 | 4,524 | 1 | 3,918 |
| **Total transfers in liabilities at fair value** | **17** | **4,524** | **1** | **3,918** |

The transfers from Level 1 to Level 2 were mainly driven by debt/equity securities where the liquidity had decreased and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The transfers from Level 2 to Level 1 are mainly driven by the transfer of exchange traded options as they moved closer to maturity and inputs became observable. All transfers were reported at the end of the reporting period.

### Movements of level 3 instruments

The following table presents a reconciliation of financial instruments categorised in level 3 of the fair value hierarchy.

## Assets and liabilities measured at fair value on a recurring basis for level 3

| As at 30 June 2014 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **1,562** | **114** | **(376)** | **630** | **(984)** | **-** | **-** | **8** | **238** | **1,192** |
| of which foreign governments | 256 | 16 | (238) | - | (14) | - | - | 4 | (2) | 22 |
| of which corporates | 1,187 | 98 | (138) | 630 | (970) | - | - | 4 | 244 | 1,055 |
| of which commercial mortgage backed securities | 119 | - | - | - | - | - | - | - | (4) | 115 |
| of which collateral debt obligations | - | - | - | - | - | - | - | - | - | - |
| **Equity securities** | **131** | **6** | **(7)** | **122** | **(170)** | **-** | **-** | **3** | **(5)** | **80** |
| **Derivatives** | **5,103** | **343** | **(445)** | **-** | **-** | **2,181** | **(2,138)** | **31** | **(229)** | **4,846** |
| of which interest rate products | 1,559 | 32 | (7) | - | - | 78 | (494) | 8 | 488 | 1,664 |
| of which foreign exchange products | 480 | - | (8) | - | - | 706 | (847) | 3 | 63 | 397 |
| of which equity/index-related products | 1,524 | 24 | (196) | - | - | 878 | (173) | 25 | (871) | 1,211 |
| of which credit derivatives | 1,530 | 284 | (229) | - | - | 379 | (557) | (6) | 42 | 1,443 |
| of which other derivative products | 10 | 3 | (5) | - | - | 140 | (67) | 1 | 49 | 131 |
| **Other** | **970** | **380** | **(378)** | **481** | **(530)** | **-** | **(76)** | **6** | **98** | **951** |
| **Trading financial assets at fair value through profit or loss** | **7,766** | **843** | **(1,206)** | **1,233** | **(1,684)** | **2,181** | **(2,214)** | **48** | **102** | **7,069** |
| **Securities purchased under resale agreements and securities borrowing transactions** | 152 | - | - | - | - | - | (152) | - | - | - |
| **Loans** | **4,431** | **-** | **(48)** | **62** | **(162)** | **327** | **(398)** | **8** | **(18)** | **4,202** |
| of which commercial and industrial loans | 1,356 | - | - | 7 | (172) | 256 | (132) | 6 | 25 | 1,346 |
| of which loans to financial institutions | 1,978 | - | - | 15 | - | 71 | (130) | - | (28) | 1,906 |
| of which government and public institutions | 1,097 | - | - | - | - | - | (136) | - | (11) | 950 |
| of which real estate | - | - | (48) | 50 | - | - | - | 2 | (4) | - |
| **Other financial assets designated at fair value through profit or loss** | **153** | **-** | **-** | **176** | **(74)** | **-** | **-** | **-** | **(14)** | **241** |
| of which failed purchases | 90 | - | - | 116 | (5) | - | - | - | (14) | 187 |
| of which other | 63 | - | - | 60 | (69) | - | - | - | - | 54 |
| **Financial assets designated at fair value through profit or loss** | **4,736** | **-** | **(48)** | **238** | **(236)** | **327** | **(550)** | **8** | **(32)** | **4,443** |
| **Total assets at fair value** | **12,502** | **843** | **(1,254)** | **1,471** | **(1,920)** | **2,508** | **(2,764)** | **56** | **70** | **11,512** |

[1]For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period

## Assets and liabilities measured at fair value on a recurring basis for Level 3

**As at 30 June 2014** **Trading revenues**

| | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| of which corporates | - | - | - | - | - | - | - | - | - | - |
| **Derivatives** | **5,887** | **438** | **(668)** | **-** | **-** | **744** | **(2,039)** | **126** | **679** | **5,167** |
| of which interest rate products | 1,028 | 46 | - | - | - | 4 | (276) | 6 | 242 | 1,050 |
| of which foreign exchange products | 1,039 | - | (2) | - | - | 3 | (160) | (4) | (97) | 779 |
| of which equity/index-related products | 2,093 | 105 | (484) | - | - | 410 | (967) | 118 | 272 | 1,547 |
| of which credit derivatives | 1,688 | 296 | (189) | - | - | 273 | (585) | 5 | 209 | 1,697 |
| of which other derivative products | 39 | - | (2) | - | - | 54 | (51) | 1 | 53 | 94 |
| **Trading financial liabilities at fair value through profit or loss** | **5,887** | **438** | **(668)** | **-** | **-** | **744** | **(2,039)** | **126** | **679** | **5,167** |
| **Securities sold under repurchase agreement and securities lending transactions** | **129** | **-** | **-** | **-** | **-** | **-** | **(129)** | **-** | **-** | **-** |
| **Short term borrowings** | **218** | **15** | **(39)** | **-** | **-** | **193** | **(281)** | **(1)** | **1** | **106** |
| **Long term debt** | **4,759** | **-** | **(655)** | **-** | **-** | **1,401** | **(829)** | **-** | **327** | **5,003** |
| of which structured notes between one and two years | 283 | - | (268) | - | - | 120 | (25) | 1 | 41 | 152 |
| of which other debt instruments between one and two years | 28 | - | (5) | - | - | 47 | (54) | - | 39 | 55 |
| of which structured notes over two years | 3,146 | - | (282) | - | - | 922 | (293) | (5) | 64 | 3,552 |
| of which other debt instruments over two years | 1,302 | - | (100) | - | - | 294 | (454) | 4 | 182 | 1,228 |
| of which non-recourse liabilities | - | - | - | - | - | 18 | (3) | - | 1 | 16 |
| **Other financial liabilities designated at fair value through profit or loss** | **359** | **78** | **(49)** | **75** | **(200)** | **-** | **-** | **(1)** | **(21)** | **241** |
| of which failed sales | 333 | 73 | (47) | - | (105) | - | - | - | (21) | 233 |
| **Financial liabilities designated at fair value through profit or loss** | **5,465** | **93** | **(743)** | **75** | **(200)** | **1,594** | **(1,239)** | **(2)** | **307** | **5,350** |
| **Total liabilities at fair value** | **11,352** | **531** | **(1,411)** | **75** | **(200)** | **2,338** | **(3,278)** | **124** | **986** | **10,517** |
| **Net assets/liabilities at fair value** | **1,150** | **312** | **157** | **1,396** | **(1,720)** | **170** | **514** | **(68)** | **(916)** | **995** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at 31 December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Assets at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **2,694** | **335** | **(230)** | **1,382** | **(2,818)** | **-** | **-** | **16** | **183** | **1,562** |
| of which foreign governments | 90 | 268 | (76) | 6 | (37) | - | - | 13 | (8) | 256 |
| of which corporates | 2,278 | 67 | (154) | 1,376 | (2,534) | - | - | 3 | 151 | 1,187 |
| of which commercial mortgage backed securities | 321 | - | - | - | (239) | - | - | - | 37 | 119 |
| of which collateral debt obligations | 5 | - | - | - | (8) | - | - | - | 3 | - |
| **Equity securities** | **31** | **130** | **(5)** | **116** | **(154)** | **-** | **-** | **1** | **12** | **131** |
| **Derivatives** | **5,816** | **1,706** | **(2,573)** | **-** | **-** | **2,429** | **(2,481)** | **197** | **9** | **5,103** |
| of which interest rate products | 1,921 | 234 | (355) | - | - | 317 | (659) | 3 | 98 | 1,559 |
| of which foreign exchange products | 624 | 89 | (92) | - | - | 29 | (134) | 2 | (38) | 480 |
| of which equity/index-related products | 1,797 | 246 | (944) | - | - | 650 | (756) | 189 | 342 | 1,524 |
| of which credit derivatives | 1,471 | 1,137 | (1,134) | - | - | 1,206 | (774) | 2 | (378) | 1,530 |
| of which other derivative products | 3 | - | (48) | - | - | 227 | (158) | 1 | (15) | 10 |
| **Other** | **445** | **664** | **(126)** | **557** | **(609)** | **-** | **(69)** | **-** | **108** | **970** |
| **Trading financial assets at fair value through profit or loss** | **8,986** | **2,835** | **(2,934)** | **2,055** | **(3,581)** | **2,429** | **(2,550)** | **214** | **312** | **7,766** |
| **Securities purchased under resale agreements and securities borrowing transactions** | - | - | - | - | - | 147 | (165) | - | 170 | 152 |
| **Loans** | **3,429** | **127** | **(142)** | **332** | **(618)** | **2,168** | **(1,175)** | **(1)** | **311** | **4,431** |
| of which commercial and industrial loans | 2,120 | - | (137) | 65 | (237) | 482 | (895) | (1) | (41) | 1,356 |
| of which loans to financial institutions | 921 | - | (5) | 267 | (180) | 880 | (280) | - | 375 | 1,978 |
| of which government and public institutions | 388 | 127 | - | - | (201) | 806 | - | - | (23) | 1,097 |
| **Other financial assets designated at fair value through profit or loss** | **249** | **-** | **-** | **13** | **(33)** | **-** | **(58)** | **-** | **(18)** | **153** |
| of which failed purchases | 168 | - | - | 13 | (22) | - | (58) | - | (11) | 90 |
| of which other | 81 | - | - | - | (11) | - | - | - | (7) | 63 |
| **Financial assets designated at fair value through profit or loss** | **3,678** | **127** | **(142)** | **345** | **(651)** | **2,315** | **(1,398)** | **(1)** | **463** | **4,736** |
| **Total assets at fair value** | **12,664** | **2,962** | **(3,076)** | **2,400** | **(4,232)** | **4,744** | **(3,948)** | **213** | **775** | **12,502** |

[1]For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period

## Assets and liabilities measured at fair value on a recurring basis for Level 3

| As at 31 December 2013 | | | | | | | | Trading revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | Purchases | Sales | Issuances | Settlements | On transfers in/out[1] | On all other | Balance at end of period |
| **Liabilities at fair value (USD million)** | | | | | | | | | | |
| **Debt securities** | **13** | **-** | **-** | **22** | **(34)** | **-** | **-** | **-** | **(1)** | **-** |
| of which corporates | 13 | - | - | 22 | (34) | - | - | - | (1) | - |
| **Derivatives** | **5,916** | **1,390** | **(1,440)** | **-** | **(1)** | **1,756** | **(3,042)** | **170** | **1,138** | **5,887** |
| of which interest rate products | 1,360 | 19 | (81) | - | - | 115 | (522) | 4 | 133 | 1,028 |
| of which foreign exchange products | 1,778 | 70 | (119) | - | - | 21 | (774) | (17) | 80 | 1,039 |
| of which equity/index-related products | 1,253 | 204 | (742) | - | - | 870 | (524) | 163 | 869 | 2,093 |
| of which credit derivatives | 1,471 | 1,097 | (498) | - | - | 746 | (1,211) | 20 | 63 | 1,688 |
| of which other derivative products | 54 | - | - | - | (1) | 4 | (11) | - | (7) | 39 |
| **Trading financial liabilities at fair value through profit or loss** | **5,929** | **1,390** | **(1,440)** | **22** | **(35)** | **1,756** | **(3,042)** | **170** | **1,137** | **5,887** |
| **Securities sold under repurchase agreement and securities lending transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **129** | **129** |
| **Short term borrowings** | **196** | **41** | **-** | **-** | **(57)** | **447** | **(424)** | **-** | **15** | **218** |
| **Long term debt** | **4,868** | **157** | **(30)** | **14** | **(32)** | **1,780** | **(2,580)** | **-** | **582** | **4,759** |
| of which structured notes between one and two years | - | | (11) | 4 | - | 157 | (28) | - | 161 | 283 |
| of which other debt instruments between one and two years | - | - | - | - | - | 26 | - | - | 2 | 28 |
| of which structured notes over two years | 3,477 | 149 | (16) | 9 | (21) | 1,466 | (1,904) | - | (11) | 3,146 |
| of which other debt instruments over two years | 1,380 | 8 | (3) | 1 | - | 131 | (648) | - | 433 | 1,302 |
| of which non-recourse liabilities | 11 | - | - | - | (11) | - | - | - | - | - |
| **Other financial liabilities designated at fair value through profit or loss** | **220** | **30** | **(22)** | **173** | **-** | **-** | **(4)** | **-** | **(38)** | **359** |
| of which failed sales | 220 | 27 | (19) | 147 | - | - | (4) | - | (38) | 333 |
| **Financial liabilities designated at fair value through profit or loss** | **5,284** | **228** | **(52)** | **187** | **(89)** | **2,227** | **(3,008)** | **-** | **688** | **5,465** |
| **Total liabilities at fair value** | **11,213** | **1,618** | **(1,492)** | **209** | **(124)** | **3,983** | **(6,050)** | **170** | **1,825** | **11,352** |
| **Net assets/liabilities at fair value** | **1,451** | **1,344** | **(1,584)** | **2,191** | **(4,108)** | **761** | **2,102** | **43** | **(1,050)** | **1,150** |

[1] For all transfers to level 3 or out of level 3, the CSi group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

| | 30 June | 31 Dec |
|---|---|---|
| **Trading revenues (USD million)** | **2014** | **2013** |
| **Net realised/unrealised (losses)/gains included in net revenues** | **(984)** | **(1,007)** |
| Whereof: | | |
| Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date | | |
| Trading financial assets at fair value through profit or loss | 222 | 473 |
| Financial assets designated at fair value through profit or loss | 32 | 297 |
| Trading financial liabilities at fair value through profit or loss | (689) | (1,055) |
| Financial liabilities at fair value through profit or loss | (287) | (491) |
| **Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date** | **(722)** | (776) |

## Transfers in and out of level 3

### Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 as at 30 June 2014 amounted to USD 843 million and USD (1,206) million, respectively. USD 664 million of transfers into level 3 were related to credit derivatives and loans included in Other. Transfers out of level 3 largely comprised of credit and equity/index-related derivatives.

Trading financial assets transferred into and out of level 3 in 2013 amounted to USD 2,835 million and USD (2,934) million, respectively. USD 1,801 million of transfers into level 3 were related to credit derivatives and loans included in Other. Transfers out of level 3 comprised of debt securities, credit derivatives, equity/index-related derivatives and loans included in Other.

### Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss transferred out of level 3 as at 30 June 2014 amounted to USD (48) million. These transfers were related to real estate loans.

Financial assets designated at fair value through profit or loss transferred into and out of level 3 in 2013 amounted to USD 127 million and USD (142) million, respectively. Both these amounts of transfers were related to loans.

### Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 as at 30 June 2014 amounted to USD 438 million and USD (668) million, respectively. USD 296 million of transfers into level 3 were related to credit derivatives. Transfers out of level 3 largely comprised of equity/index-related derivatives and credit derivatives.

Trading financial liabilities transferred into and out of level 3 as at 31 December 2013 amounted to USD 1,390 million and USD (1,440) million, respectively. USD 1,097 million of transfers into level 3 were related to credit derivatives. Transfers out of level 3 largely comprised of equity/index-related derivatives and credit derivatives.

### Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 as at 30 June 2014 amounted to USD 93 million and USD (743) million, respectively. The transfers into level 3 were related to failed sales. The transfers out of level 3 were largely related to structured notes.

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 as at 31 December 2013 amounted to USD 228 million and USD (52) million, respectively. These were largely related to structured notes.

**Qualitative disclosures of valuation techniques**

The CSi group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSi group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSi group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of Credit Suisse Group AG's Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSi group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSi group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input for those classified as level 3 is funding spread.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held

### Debt securities

### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the significant price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

### CMBS securities

Fair values of CMBS may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of CMBS for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

### Equity securities

The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortisation, ('EBITDA') multiple, discount rate and capitalisation rate.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralised OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread, recovery rate and mean reversion.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate, correlation, volatility, volatility skew, mean reversion and credit spread.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability. Generally, volatility, forward skewand correlation are positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation, funding spread and prepayment rate. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs default rate, loss severity and discount rate.

### Other trading assets

Other trading assets primarily include loans and VAT receivables which are valued using market comparable price and discounted cash flow. The significant unobservable inputs of the fair value loans and VAT receivables is credit spread and market comparable price.

### Other investments

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published net asset values (NAVs). Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spread, contingent probability and EBITDA multiple. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

### Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued using individual life expectancy rates and are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

### Loans

The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories, include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

### Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable), funded derivatives and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the CSi group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, skew, credit spread and price. Generally, volatility, correlation and gap risk are positively correlated.

### Other financial liabilities designated at fair value through profit or loss

### Failed sales

These liabilities represent securitisations that do not meet the criteria for sale treatment under IFRS. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of basis spread, buyback probability, prepayment rate, correlation, recovery rate, price, volatility, volatility skew, discount rate and contingent probability in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of funding spread, capitalisation rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value. An increase in the significant unobservable inputs mean reversion and skew would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

**Quantitative disclosures of valuation techniques**

The following tables provide the representative range of minimum and maximum values and the associated weighted average of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

As at 30 June 2014

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Assets at fair value** | | | | | | |
| **Debt securities** | **1,192** | | | | | |
| of which corporates | 1,055 | | | | | |
| of which | 227 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 3 | 170 | 25 |
| | | | Buyback probability, in % | 50 | 100 | 59 |
| of which | 237 | Discounted cash flow | Credit spread, in bp | 16 | 531 | 517 |
| of which | 336 | Market comparable | Price, in % | 0 | 135 | 102 |
| of which CMBS | 115 | Discounted cash flow | Capitalisation rate, in % | 7 | 12 | 8 |
| **Derivatives** | **4,846** | | | | | |
| of which interest rate products | 1,664 | | | | | |
| of which | 1,475 | Option model | Basis spread, in bp | (10) | 98 | 49 |
| | | | Correlation, in % | 17 | 100 | 74 |
| | | | Prepayment rate, in % | 5 | 36 | 28 |
| | | | Volatility, in % | - | - | - |
| | | | Credit spread, in bp | 60 | 531 | 137 |
| | | | Gap risk, in % | - | - | - |
| | | | Volatility skew, in % | (8) | 31 | (1) |
| of which | 189 | Discounted cash flow | Recovery rate, in % | 55 | 55 | 55 |
| of which foreign exchange products | 397 | | | | | |
| of which | 208 | Option model | Correlation, in % | (13) | 93 | 47 |
| | | | Prepayment rate, in % | 23 | 36 | 29 |
| | | | Volatility, in % | - | - | - |
| | | | Mean reversion, in % | - | - | - |
| | | | Volatility skew, in % | (8) | 31 | 4 |
| of which | 52 | Discounted cash flow | Credit spread, in bp | 175 | 7,712 | 428 |
| of which equity/index-related products | 1,211 | | | | | |

As at 30 June 2014

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| of which | 1,056 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 3 | 170 | 25 |
| | | | Buyback probability, in % | 50 | 100 | 59 |
| of which credit derivatives | 1,443 | | | | | |
| of which | 1,306 | Discounted cash flow | Correlation, in % | 1 | 97 | 49 |
| | | | Prepayment rate, in % | 28 | 31 | 8 |
| | | | Credit spread, in bp | 1 | 1,928 | 122 |
| | | | Recovery rate, in % | 0 | 77 | 35 |
| | | | Discount rate, in % | 1 | 34 | 15 |
| | | | Default rate, in % | 1 | 22 | 7 |
| | | | Loss severity, in % | 10 | 90 | 57 |
| | | | Funding spread, in bps | 51 | 51 | 51 |
| **Other** | **951** | | | | | |
| of which trading loans | | | | | | |
| of which | 427 | Discounted cash flow | Credit spread, in bp | 305 | 305 | 304 |
| of which | 22 | Market comparable | Price, in % | 0 | 95 | 69 |
| **Loans** | **4,202** | | | | | |
| of which commercial and industrial loans | 1,346 | | | | | |
| of which | 1,124 | Discounted cash flow | Credit spread, in bp | 60 | 2,692 | 274 |
| | | | Recovery rate, in % | 89 | 94 | 89 |
| of which | 222 | Market comparable | Price, in % | 0 | 100 | 100 |
| of which loans to finance institutions | 1,906 | | | | | |
| of which | 269 | Vendor price | Price, in actuals | 0 | 3 | 1 |
| of which | 1,126 | Discounted cash flow | Credit spread, in bp | 132 | 725 | 361 |
| of which | 511 | Market comparable | Price, in % | 0 | 48 | 33 |
| of which government and public institutions | 950 | | | | | |
| of which | 950 | Discounted cash flow | Credit spread, in bp | 173 | 1200 | 414 |

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Liabilities at fair value (USD million)** | | | | | | |
| **Derivatives** | **5,167** | | | | | |
| of which interest rate products | 1,050 | | | | | |
| of which | 1,001 | Option model | Basis spread, in bp | (10) | 98 | 56 |
| | | | Correlation, in % | 17 | 100 | 88 |
| | | | Prepayment rate, in % | 8 | 36 | 27 |
| | | | Credit spread, in bp | 9 | 543 | 246 |
| | | | Gap risk, in % | - | - | - |
| | | | Mean reversion, in % | 5 | 5 | 5 |
| | | | Volatility skew, in % | (8) | 31 | (1) |
| of which foreign exchange products | 779 | | | | | |
| of which | 708 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 23 | 36 | 29 |
| | | | Volatility skew, in % | (8) | 2 | (1) |
| of which | 34 | Discounted cash flow | Credit spread, in bp | 27 | 1,461 | 412 |
| of which equity/index-related products | 1,547 | | | | | |
| of which | 1,412 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 3 | 170 | 24 |
| | | | Buyback probability, in % | 50 | 100 | 59 |
| | | | Skew, in % | 49 | 159 | 106 |
| of which credit derivatives | 1,697 | | | | | |
| of which | 1,569 | Discounted cash flow | Correlation, in % | 85 | 97 | 94 |
| | | | Credit spread, in bp | 1 | 1,831 | 135 |
| | | | Recovery rate, in % | 0 | 77 | 36 |
| | | | Discount rate, in % | 1 | 35 | 15 |
| | | | Default rate, in % | 1 | 21 | 7 |
| | | | Loss severity, in % | 10 | 90 | 61 |
| | | | Funding spread, in bps | 70 | 70 | 70 |
| **Long term debt** | **5,003** | | | | | |
| of which structured notes over two years | 3,552 | | | | | |
| of which | 2,580 | Option model | Correlation, in % | (83) | 100 | 26 |
| | | | Volatility, in % | 3 | 170 | 24 |

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| | | | Buyback probability, in % | 50 | 100 | 59 |
| | | | Gap risk, in % | 0 | 4 | 0 |
| of which | 597 | Discounted cash flow | Credit spread, in bp | 65 | 725 | 175 |
| of which other debt instruments over two years | 1,228 | | | | | |
| of which | 1,106 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 3 | 170 | 26 |
| | | | Buyback probability, in % | 50 | 100 | 59 |
| | | | Gap risk, in % | 0 | 4 | 0 |
| | | | Skew, in % | 49 | 159 | 106 |
| of which structured notes between one and two years | 152 | | | | | |
| of which | 109 | Option model | Correlation, in % | 8 | 100 | 48 |
| | | | Volatility, in % | 3 | 170 | 26 |
| | 16 | Market comparable | Price, in % | 95 | 95 | 95 |

As at 31December 2013

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| **Assets at fair value** | | | | | | |
| **Debt securities** | **1,562** | | | | | |
| of which corporates | 1,187 | | | | | |
| of which | 217 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 26 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which | 321 | Discounted cash flow | Credit spread, in bp | 16 | 500 | 383 |
| of which | 565 | Market comparable | Price, in % | 0 | 136 | 98 |
| **Equity securities** | **131** | | | | | |
| of which | 105 | Vendor Price | Price, in actuals | 68 | 92 | 79 |
| **Derivatives** | **5,103** | | | | | |
| of which interest rate products | 1,559 | | | | | |
| of which | 1,351 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 77 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Credit spread, in bp | 95 | 430 | 183 |
| | | | Gap risk, in % | 0 | 0 | 0 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 208 | Discounted cash flow | Recovery rate, in % | 59 | 59 | 59 |
| of which foreign exchange products | 480 | | | | | |
| of which | 275 | Option model | Correlation, in % | (13) | 93 | 51 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| | | | Volatility, in % | 2 | 31 | 5 |
| | | | Mean reversion, in % | (3) | (1) | (2) |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 45 | Discounted cash flow | Credit spread, in bp | 150 | 5,099 | 459 |
| of which equity/index-related products | 1,524 | | | | | |
| of which | 1,063 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 25 |

| As at 31December 2013<br>USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which credit derivatives | 1,530 | | | | | |
| of which | 1,483 | Discounted cash flow | Correlation, in % | 35 | 97 | 77 |
| | | | Credit spread, in bp | 1 | 2,052 | 91 |
| | | | Recovery rate, in % | 0 | 77 | 36 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 58 |
| **Other** | **970** | | | | | |
| of which trading loans | | | | | | |
| of which | 417 | Discounted cash flow | Credit spread, in bp | 393 | 393 | 393 |
| of which | 553 | Market comparable | Price, in % | 1 | 51 | 50 |
| **Securities purchased under resale agreements and securities borrowing transactions** | **152** | | | | | |
| of which | 152 | Option model | Funding spread, in bps | 90 | 90 | 90 |
| **Loans** | **4,431** | | | | | |
| of which commercial and industrial loans | 1,356 | | | | | |
| of which | 1,209 | Discounted cash flow | Credit spread, in bp | 95 | 1,473 | 431 |
| of which | 147 | Market comparable | Price, in % | 0 | 100 | 46 |
| of which loans to finance institutions | 1,978 | | | | | |
| of which | 362 | Vendor price | Price, in actuals | 0 | 4 | 2 |
| of which | 1,189 | Discounted cash flow | Credit spread, in bp | 98 | 733 | 377 |
| of which government and public institutions | 1,097 | | | | | |
| of which | 969 | Discounted cash flow | Credit spread, in bp | 296 | 940 | 415 |

| Liabilities at fair value (USD million) | | | | | | |
|---|---|---|---|---|---|---|
| **Derivatives** | **5,887** | | | | | |
| of which interest rate products | 1,028 | | | | | |
| of which | 944 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 85 |

As at 31December 2013

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| | | | Credit spread, in bp | 430 | 430 | 430 |
| | | | Gap risk, in % | 0 | 0 | 0 |
| | | | Mean reversion, in % | 5 | 5 | 5 |
| of which foreign exchange products | 1,039 | | | | | |
| of which | 946 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| of which | 53 | Discounted cash flow | Credit spread, in bp | 35 | 12,914 | 566 |
| of which equity/index-related products | 2,093 | | | | | |
| of which | 1,700 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 122 | 26 |
| | | | Buyback probability, in % | 50 | 100 | 62 |
| of which credit derivatives | 1,688 | | | | | |
| of which | 1,615 | Discounted cash flow | Correlation, in % | 35 | 97 | 75 |
| | | | Credit spread, in bp | 1 | 1,572 | 123 |
| | | | Recovery rate, in % | 0 | 77 | 40 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| **Securities sold under repurchase agreements and securities lending transactions** | **129** | | | | | |
| of which | 129 | Option model | Funding spread, in bps | 90 | 90 | 90 |
| **Long term debt** | **4,759** | | | | | |
| of which structured notes over two years | 3,146 | | | | | |
| of which | 1,033 | Option model | Correlation, in % | (83) | 99 | 27 |
| | | | Volatility, in % | 2 | 122 | 21 |
| | | | Gap risk, in % | 0 | 5 | 0 |
| of which | 627 | Discounted cash flow | Credit spread, in bp | 232 | 1,201 | 508 |
| of which other debt instruments over two years | 1,302 | | | | | |
| of which | 688 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 5 | 122 | 27 |

**As at 31December 2013**

| USD million, except as indicated | Fair Value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average |
|---|---|---|---|---|---|---|
| | | | Buyback probability, in % | 50 | 100 | 62 |
| | | | Gap risk, in % | 0 | 5 | 0 |
| | | | Skew, in % | 79 | 152 | 118 |
| of which structured notes between one and two years | 283 | | | | | |
| of which | 283 | Option model | Correlation, in % | 4 | 96 | 51 |
| | | | Volatility, in % | 5 | 122 | 27 |
| | | | Price, in actuals | 204 | 620 | 386 |
| | | | Credit spread, in bp | 81 | 1,241 | 1,236 |

## Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

### Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates to collateral with a greater risk of default.

### Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

### Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

### Prepayment rate

Prepayment rates may vary between collateral pools, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

### Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

## Sensitivity analysis of unobservable input parameters

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

| | | Reflected in net income/(loss) |
|---|---|---|
| | Favorable changes | Unfavorable changes |
| **As at 30 June 2014 (USD million)** | | |
| Derivative assets and liabilities | 362 | (388) |
| Assets-backed securities, loans and derivatives | 72 | (70) |
| Debt and equity securities | 104 | (55) |
| Loans | 54 | (58) |
| **Total** | **592** | **(571)** |
| **As at 31 December 2013 (USD million)** | | |
| Derivative assets and liabilities | 295 | (336) |
| Assets-backed securities, loans and derivatives | 61 | (56) |
| Debt and equity securities | 112 | (63) |
| Loans | 57 | (57) |
| **Total** | **525** | **(512)** |

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Derivative assets and liabilities include primarily equity, FX, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down. The movements varied by product and existing levels of correlation based upon management judgment. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to 10% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgment and underlying market conditions.

Asset backed securities, loans and derivatives include CMBS, ABS CDO and balance guaranteed swap positions. CMBS sensitivities are calculated by subjecting the prices of the positions to a 5% movement up and down. ABS CDO positions were subjected to sensitivities to underlying asset prices, as well as recovery rates on the underlying assets. The underlying asset prices were subjected to a range of downward movements with no movement up. Recovery rates are held at what management believes to be conservative levels and were increased by 10% resulting in favourable uncertainty. Balance guaranteed swap positions were subjected to sensitivities on prepayment speeds which were estimated based on management's assessment of fast/slow notional bands for movements up and down.

Debt and equity securities include equity fund linked products, variable funding notes and corporate and emerging market bonds. The primary parameters subjected to sensitivity analysis for equity fund linked products and variable funding notes include gap risk. Gap risk sensitivity is estimated by using limited pricing service information and valuing to the conservative side of the range of values. The parameter subjected to sensitivity for emerging market positions is price. Price sensitivity is subjected to a 100 basis point movement up and down. The parameter subjected to sensitivity for corporate debt is credit spreads and are generally subjected to a 15% movement up and down.

Loans include emerging market loans and corporate loans. For emerging market loans the parameter subjected to sensitivity analysis is credit spreads which is subjected to a 15% movement up and down. For corporate loans the parameter subjected to sensitivity analysis is the loan price which is subjected to an equal movement up and down which ranges from 5 to 10 points depending upon the position.

**Recognition of trade date profit**

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or the fair value is expected to become observable. When inputs to the valuation model become observable or the CSi group enters into offsetting transactions that substantially eliminate the instrument's risk.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year for trading assets and liabilities:

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Deferred trade date profit (USD million)** | | |
| Balance at the beginning of period | 383 | 394 |
| Increase due to new trades | 113 | 99 |
| Reduction due to passage of time | (88) | (52) |
| Reduction due to redemption, sales, transfers or improved observability | (29) | (58) |
| **Balance at the end of period** | **379** | **383** |

## 22. Subsequent events

On 01 August 2014, Credit Suisse announced the sale of Prime Fund Services (PFS), a provider of fund administration, custody and banking solutions for alternative investment managers, to BNP Paribas. This includes the PFS business held within the Dublin Branch of the CSi group. The transaction is expected to close in 2015, subject to anti-trust and regulatory clearances.

# Independent Auditors' Review Report to the Members of Credit Suisse International

## Introduction

We have been engaged by Credit Suisse International (the "Bank") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Condensed Consolidated Interim Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows for the six months ended, and the related explanatory notes ("the condensed consolidated interim financial statements"). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Bank management in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the CSi group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information* Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Simon Ryder

For and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London, E14 5GL
28 August 2014

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

## Form 6-K

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

February 12, 2015

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Introduction

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three and twelve months ended December 31, 2014. On February 12, 2015, Credit Suisse Group AG (Group) announced its results for such three and twelve month period. A copy of the related Earnings Release is attached as an exhibit to this Form 6-K.

This Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be “filed” for purposes of the Securities Exchange Act of 1934, as amended except, in the case of both (i) and (ii), the information on pages 4 and 21 of the Earnings Release.

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

References herein to “CHF” are to Swiss francs.

# Key information

# Selected financial data

## Condensed consolidated statements of operations

| in | 4Q14 | 4Q13 | % change | 2014 | 2013 | % change |
|---|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 4,311 | 3,943 | 9 | 18,585 | 19,017 | (2) |
| Interest expense | (2,252) | (2,309) | (2) | (9,908) | (11,307) | (12) |
| Net interest income | 2,059 | 1,634 | 26 | 8,677 | 7,710 | 13 |
| Commissions and fees | 3,161 | 3,406 | (7) | 12,887 | 13,057 | (1) |
| Trading revenues | 213 | 315 | (32) | 1,790 | 2,755 | (35) |
| Other revenues | 770 | 666 | 16 | 2,235 | 1,792 | 25 |
| **Net revenues** | **6,203** | **6,021** | 3 | **25,589** | **25,314** | 1 |
| **Provision for credit losses** | **59** | **35** | 69 | **125** | **93** | 34 |
| Compensation and benefits | 2,611 | 2,786 | (6) | 11,382 | 11,187 | 2 |
| General and administrative expenses | 2,076 | 3,227 | (36) | 9,296 | 8,654 | 7 |
| Commission expenses | 420 | 386 | 9 | 1,548 | 1,726 | (10) |
| Total other operating expenses | 2,496 | 3,613 | (31) | 10,844 | 10,380 | 4 |
| **Total operating expenses** | **5,107** | **6,399** | (20) | **22,226** | **21,567** | 3 |
| **Income/(loss) from continuing operations before taxes** | **1,037** | **(413)** | – | **3,238** | **3,654** | (11) |
| Income tax expense/(benefit) | 217 | (86) | – | 1,346 | 1,170 | 15 |
| **Income/(loss) from continuing operations** | **820** | **(327)** | – | **1,892** | **2,484** | (24) |
| Income/(loss) from discontinued operations, net of tax | (10) | (2) | 400 | 102 | 145 | (30) |
| **Net income/(loss)** | **810** | **(329)** | – | **1,994** | **2,629** | (24) |
| Net income/(loss) attributable to noncontrolling interests | (7) | 189 | – | 445 | 669 | (33) |
| **Net income/(loss) attributable to shareholders** | **817** | **(518)** | – | **1,549** | **1,960** | (21) |
| of which from continuing operations | 827 | (516) | – | 1,447 | 1,815 | (20) |
| of which from discontinued operations | (10) | (2) | 400 | 102 | 145 | (30) |

## Condensed consolidated balance sheets

| end of | 4Q14 | 4Q13 | % change |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 78,000 | 68,081 | 15 |
| Interest-bearing deposits with banks | 4,104 | 3,385 | 21 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 163,208 | 160,013 | 2 |
| Securities received as collateral | 26,854 | 22,800 | 18 |
| Trading assets | 241,313 | 229,738 | 5 |
| Investment securities | 2,379 | 1,627 | 46 |
| Other investments | 8,467 | 10,207 | (17) |
| Net loans | 255,928 | 231,157 | 11 |
| Premises and equipment | 4,441 | 4,895 | (9) |
| Goodwill | 7,766 | 7,121 | 9 |
| Other intangible assets | 249 | 210 | 19 |
| Brokerage receivables | 41,629 | 52,044 | (20) |
| Other assets | 70,464 | 61,567 | 14 |
| Assets of discontinued operations held-for-sale | 0 | 1,584 | (100) |
| **Total assets** | **904,802** | **854,429** | 6 |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 26,506 | 23,147 | 15 |
| Customer deposits | 357,569 | 321,678 | 11 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 70,119 | 94,032 | (25) |
| Obligation to return securities received as collateral | 26,854 | 22,800 | 18 |
| Trading liabilities | 72,667 | 76,812 | (5) |
| Short-term borrowings | 25,921 | 20,193 | 28 |
| Long-term debt | 172,947 | 126,741 | 36 |
| Brokerage payables | 56,977 | 73,154 | (22) |
| Other liabilities | 50,371 | 51,100 | (1) |
| Liabilities of discontinued operations held-for-sale | 0 | 1,140 | (100) |
| **Total liabilities** | **859,931** | **810,797** | 6 |
| **Total shareholder’s equity** | **43,125** | **39,467** | 9 |
| Noncontrolling interests | 1,746 | 4,165 | (58) |
| **Total equity** | **44,871** | **43,632** | |
| **Total liabilities and equity** | **904,802** | **854,429** | 6 |

## BIS statistics (Basel III)

| end of | 4Q14 | 4Q13 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 41,097 | 37,700 | 9 |
| Total tier 1 capital | 47,358 | 40,769 | 16 |
| Total eligible capital | 58,355 | 52,346 | 11 |
| **Capital ratios (%)** | | | |
| CET1 ratio | 14.5 | 14.3 | – |
| Tier 1 ratio | 16.7 | 15.4 | – |
| Total capital ratio | 20.6 | 19.8 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

### Differences between the Group and the Bank businesses

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

### Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **4Q14** | 4Q13 | **4Q14** | 4Q13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 6,203 | 6,021 | 6,372 | 6,139 |
| Total operating expenses | 5,107 | 6,399 | 5,128 | 6,419 |
| Income/(loss) from continuing operations before taxes | 1,037 | (413) | 1,169 | (333) |
| Income/(loss) from continuing operations | 820 | (327) | 933 | (270) |
| Net income/(loss) attributable to shareholders | 817 | (518) | 921 | (476) |
| of which from continuing operations | 827 | (516) | 931 | (474) |

### Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **2014** | 2013 | **2014** | 2013 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 25,589 | 25,314 | 26,242 | 25,856 |
| Total operating expenses | 22,226 | 21,567 | 22,152 | 21,593 |
| Income from continuing operations before taxes | 3,238 | 3,654 | 3,904 | 4,096 |
| Income from continuing operations | 1,892 | 2,484 | 2,452 | 2,820 |
| Net income attributable to shareholders | 1,549 | 1,960 | 2,105 | 2,326 |
| of which from continuing operations | 1,447 | 1,815 | 2,003 | 2,181 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **4Q14** | 4Q13 | **4Q14** | 4Q13 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 904,802 | 854,429 | 921,415 | 872,806 |
| Total liabilities | 859,931 | 810,797 | 876,184 | 825,640 |

# Exhibits

**No. Description**

99.1 Credit Suisse Earnings Release 4Q14

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: February 12, 2015

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

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# Earnings Release

**Credit Suisse 4Q14 results:**

- **Core pre-tax income of CHF 1,449 million for strategic businesses and return on equity of 11%**
- **Reported Core pre-tax income of CHF 1,178 million and return on equity of 8%**
- **Look-through CET1 ratio of 10.2% as of the end of 4Q14, exceeding the 10% year-end 2014 target**

**Credit Suisse full-year 2014 results:**

- **Core pre-tax income of CHF 6,790 million for strategic businesses and return on equity of 12%**
- **Reported Core pre-tax income of CHF 3,509 million, stable compared to 2013, including the impact of the US cross-border settlement; return on equity of 5%**

**Private Banking & Wealth Management strategic pre-tax income of CHF 1,007 million in 4Q14 reflects strong loan growth and gains from sales, more than offset by lower performance fees and continued low interest rate environment compared to 4Q13; Wealth Management Clients with solid net new assets of CHF 4.4 billion**

**Investment Banking strategic pre-tax income of CHF 579 million in 4Q14 reflects strength of diversified franchise; stable revenues and improved returns in spite of increased market volatility and adverse impact from the recognition of funding valuation adjustments**

**Leverage exposure reduced by CHF 51 billion in 4Q14 before foreign exchange impact; announcing revised Group leverage targets**

**Implementing significant measures expected to more than offset impact of changing currency and interest rate environment after Swiss National Bank actions**

**Economic value of variable incentive compensation awarded for 2014 for the Group 9% lower than in 2013; reflecting continued compensation discipline and stable reported pre-tax income, including the impact of the US cross-border settlement**

**Consistent with 2013, Board of Directors proposes cash distribution of CHF 0.70 per share for 2014, free of Swiss withholding tax; also offering an optional scrip alternative, which allows shareholders to choose to receive distribution in the form of new shares**

**Private Banking & Wealth Management 4Q14 results:**

- Strategic businesses with pre-tax income of CHF 1,007 million, on slightly lower revenues compared to 4Q13; return on regulatory capital of 30%
- Total reported pre-tax income of CHF 882 million, including restructuring costs from the previously announced cost measures
- Strategic businesses with cost/income ratio of 67% for 4Q14 and 68% for the full year 2014
- Wealth Management Clients net margin increased to 27 basis points, including a 3 basis point benefit from sales gains
- Significant growth of ultra-high-net-worth individual lending initiative across all regions; CHF 5.6 billion in net new lending for 2014 compared to CHF 0.9 billion in 2013
- Net new assets of CHF 4.4 billion in Wealth Management Clients, driven by inflows from emerging markets, particularly EMEA and Asia Pacific
- Strategic PB&WM net asset outflows of CHF 0.2 billion, impacted by the change of management of funds from Hedging Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, which resulted in CHF 9.2 billion of outflows
- Total reported PB&WM net asset outflows of CHF 3.0 billion including outflows in the non-strategic unit from ongoing regularization of asset base

**Investment Banking 4Q14 results:**

- Pre-tax income of CHF 579 million for strategic businesses increased by 20% on stable revenues, a reduced cost base and lower leverage exposure compared to 4Q13
- Total reported pre-tax income of CHF 12 million, including funding valuation adjustments and losses in the non-strategic unit
- Results negatively impacted by initial funding valuation adjustments of CHF 279 million, of which CHF 108 million were booked in the strategic businesses and CHF 171 million in the non-strategic businesses
- Strategic return on regulatory capital of 12%, excluding funding valuation adjustments
- Consistent strategic revenues compared to 4Q13 highlight strength of diversified franchise; stable revenues despite the negative impact from funding valuation adjustments and increased market volatility
- Improved capital efficiency with risk-weighted assets reduced by USD 10 billion and leverage exposure reduced by USD 62 billion compared to 3Q14

**Exceeded 10% Look-through CET1 ratio target; revised leverage targets:**

- Look-through BIS CET1 ratio of 10.2%; exceeding 10% year-end target; Look-through Swiss total capital ratio of 16.5% compared to 15.8% as of the end of 3Q14
- Leverage exposure reduced by CHF 51 billion in 4Q14 before foreign exchange movements; Look-through leverage ratio of 3.9%, Look-through CET1 leverage ratio of 2.4% as of the end of 4Q14
- Targeting additional Group leverage exposure reductions of approximately CHF 230 billion, resulting in new target range of CHF 930–950 billion by end-2015 on a foreign-exchange adjusted basis; targeting Look-through leverage ratio, including high and low trigger instruments, of approximately 4.5% by end-2015, of which the tier 1 component should be approximately 4.0% and the CET1 component approximately 3.0%

**Actions expected to more than offset impact of changing currency and interest rate environment:**

- Illustrative adverse impact on pre-tax income based on 2014 earnings of approximately CHF 125–175 million, or 3%, net of mitigating actions to be implemented in 2015, including incremental cost savings of CHF 200 million
- Adverse impact expected to be more than offset by end–2017
- Measures expected to be complemented by growth initiatives in PB&WM and by the remainder of the Group cost savings from 2011 cost reduction program; of which CHF 3.5 billion of adjusted annualized savings already delivered as of end-2014 compared to the annualized expense-run rate for 6M11

**Compensation for 2014:**

- Economic value of variable incentive compensation awarded for the Group 9% lower than in 2013; reflecting continued compensation discipline and stable reported pre-tax income, including the impact of the US cross-border settlement
- Both the Board of Directors and the Executive Board have voluntarily taken reductions to their compensation; total compensation of the Board of Directors was reduced by approximately 25% and the variable incentive compensation for the Executive Board was reduced by the equivalent of 20% of the amount that would have otherwise been granted, split between current and prior year awards

For further information on the differences between return on equity and return on regulatory capital, which are primarily due to the treatment of goodwill and capital components ineligible for look-through regulatory capital under Basel III, refer to the Appendix.

February 12, 2015 **Credit Suisse Group reports 4Q14 and full-year 2014 results**

Brady W. Dougan, Chief Executive Officer, said: “Our solid results for the fourth quarter demonstrate consistency in our performance amid a challenging market environment with increased volatility. Our strategic businesses generated a return on equity of 11% for the quarter and 12% for the full year. During the quarter, we further reduced leverage exposure, continued to execute our capital measures and exceeded our 10% Look-through CET1 year-end target, including the impact of the US settlement.”

On the distribution to shareholders, he said: “Consistent with 2013, the Board of Directors proposes a cash distribution of CHF 0.70 per share for 2014. We are offering an optional scrip alternative to our shareholders, allowing them to choose to receive the distribution in the form of new shares. Going forward, we remain committed to returning half of our earnings to shareholders, provided our Look-through CET1 capital ratio continues to exceed 10% and we meet our leverage ratio targets.”

Commenting on the changing currency and interest rate environment, he said: “We are implementing a number of measures to offset the impact from the strong appreciation of the Swiss franc and the more pronounced low interest rate environment on our profitability, following the SNB’s announcement in January. Based on 2014 earnings, we estimate the net adverse impact on our profit to be approximately 3% and expect to more than offset this impact through the announced measures by end-2017.”

Commenting on Private Banking & Wealth Management, he said: “In Private Banking & Wealth Management, we reported solid strategic pre-tax income of 1 billion Swiss francs. Our results were negatively impacted by lower performance fees and the ongoing low interest rate environment, compared to the fourth quarter of 2013. However, we continued to see strong loan growth from our ultra-high-net-worth individuals lending program and improved collaboration revenues between our two divisions. In Wealth Management Clients, we generated good net new assets with strong inflows from emerging markets.”

Commenting on Investment Banking, he said: “The profitability of our strategic businesses in Investment Banking improved by 20% compared to the fourth quarter of 2013. Revenues from our strategic businesses were consistent, amid a more volatile market environment, which generally benefitted our trading businesses while adversely impacting underwriting activity. This highlights the stability of our diversified franchise. Furthermore, we made continued progress in reducing the division’s risk-weighted assets and leverage exposure, in line with our strategy to sustain strong returns in Investment Banking.”

On the outlook for the first quarter of 2015, he said: “Year-to-date profitability of the Group is in line with last year. Our private banking and sales and trading businesses have shown an improving trend in recent weeks. Underwriting and advisory activities have started the year more slowly due to market volatility but we have a strong pipeline with execution dependent on market conditions.”

## Core Results summary

For additional information on financial information presented in this Earnings Release, including references to return on equity and return on regulatory capital, refer to the tabular disclosures in the Appendix and other explanatory disclosures regarding capital and leverage metrics in the section titled "Important information" on page 22.

### Core Results highlights

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,376** | **6,537** | **5,920** | (2) | 8 | **25,815** | **25,217** | 2 |
| **Provision for credit losses** | **75** | **59** | **53** | 27 | 42 | **186** | **167** | 11 |
| **Total operating expenses** | **5,123** | **5,177** | **6,396** | (1) | (20) | **22,120** | **21,546** | 3 |
| **Income/(loss) from continuing operations before taxes** | **1,178** | **1,301** | **(529)** | (9) | – | **3,509** | **3,504** | 0 |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | (10) | – | **2,105** | **2,326** | (10) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 11.4 | 12.8 | – | – | – | 8.8 | 8.9 | – |
| Cost/income ratio | 80.3 | 79.2 | 108.0 | – | – | 85.7 | 85.4 | – |
| **Strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,000** | **6,287** | **6,024** | (5) | 0 | **25,126** | **25,475** | (1) |
| **Provision for credit losses** | **56** | **53** | **32** | 6 | 75 | **152** | **91** | 67 |
| **Total operating expenses** | **4,495** | **4,612** | **4,531** | (3) | (1) | **18,184** | **18,211** | 0 |
| **Income from continuing operations before taxes** | **1,449** | **1,622** | **1,461** | (11) | (1) | **6,790** | **7,173** | (5) |
| **Net income attributable to shareholders** | **1,155** | **1,115** | **1,082** | 4 | 7 | **4,962** | **5,095** | (3) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 14.9 | 17.1 | 16.6 | – | – | 18.3 | 19.9 | – |
| Cost/income ratio | 74.9 | 73.4 | 75.2 | – | – | 72.4 | 71.5 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **376** | **250** | **(104)** | 50 | – | **689** | **(258)** | – |
| **Provision for credit losses** | **19** | **6** | **21** | 217 | (10) | **34** | **76** | (55) |
| **Total operating expenses** | **628** | **565** | **1,865** | 11 | (66) | **3,936** | **3,335** | 18 |
| **Loss from continuing operations before taxes** | **(271)** | **(321)** | **(1,990)** | (16) | (86) | **(3,281)** | **(3,669)** | (11) |
| **Net loss attributable to shareholders** | **(234)** | **(90)** | **(1,558)** | 160 | (85) | **(2,857)** | **(2,769)** | 3 |

Core Results do not include noncontrolling interests without significant economic interests.

In **4Q14, net income attributable to shareholders** was CHF 921 million.

**Income before taxes** was CHF 1,178 million in 4Q14 compared to a loss before taxes of CHF 529 million in 4Q13, primarily reflecting a 20% decrease in total operating expenses and an 8% increase in net revenues. In the strategic businesses, income before taxes was stable at CHF 1,449 million compared to 4Q13. In the non-strategic businesses, loss before taxes was CHF 271 million in 4Q14 compared to a loss before taxes of CHF 1,990 million in 4Q13.

**Net revenues** of CHF 6,376 million increased 8% compared to 4Q13. In the strategic businesses, net revenues were stable at CHF 6,000 million, reflecting higher net revenues in Corporate Center, offset by slightly lower net revenues in Private Banking & Wealth Management, and stable net revenues in Investment Banking. In the non-strategic businesses, net revenues were CHF 376 million in 4Q14 compared to negative net revenues of CHF 104 million in 4Q13.

**Provision for credit losses** was CHF 75 million in 4Q14, with net provisions of CHF 42 million in Private Banking & Wealth Management and CHF 30 million in Investment Banking.

**Total operating expenses** of CHF 5,123 million were down 20% compared to 4Q13, primarily reflecting 35% lower general and administrative expenses. In the strategic businesses, total operating expenses were stable at CHF 4,495 million compared to 4Q13, reflecting a 7% decrease in compensation and benefits, offset by a 6% increase in general and administrative expenses and an 11% increase in commission expenses. In the non-strategic businesses, total operating expenses of CHF 628 million decreased 66% compared to 4Q13, primarily due to a 75% decrease in general and administrative expenses, reflecting significantly higher litigation provisions in 4Q13, primarily relating to US tax matters and the settlement with the Federal Housing Finance Agency (FHFA). Business realignment costs in 4Q14 were CHF 265 million.

**Income tax expense** of CHF 236 million recorded in 4Q14 mainly reflected the impact of the geographical mix of results, the impact of deferred tax asset reassessments in the UK and Switzerland resulting in a net tax charge of CHF 176 million and a tax benefit of CHF 223 million following audit closures and tax settlements. Overall, net deferred tax assets increased CHF 591 million to CHF 5,983 million, mainly driven by foreign exchange movements and changes related to the funded status of pension assets and liabilities with an associated change in deferred tax balances as of the end of 4Q14 compared to 3Q14. Deferred tax assets on net operating losses increased CHF 822 million to CHF 1,812 million during 4Q14. The Core Results effective tax rate was 20.0% in 4Q14, compared to 28.1% in 3Q14.

For the **full-year 2014**, net income attributable to shareholders was CHF 2,105 million, down 10% compared to 2013. Income before taxes was stable at CHF 3,509 million compared to 2013. Net revenues were CHF 25,815 million, up 2% compared to 2013. Strategic net revenues were stable at CHF 25,126 million compared to 2013, with slightly lower net revenues for Private Banking & Wealth Management and stable net revenues for Investment Banking. In the non-strategic businesses, net revenues of CHF 689 million in 2014 improved from net revenue losses of CHF 258 million in 2013. Provision for credit losses increased 11%, reflecting increases in Investment Banking that were partly offset by decreases in Private Banking & Wealth Management. Total operating expenses were CHF 22,120 million, up 3% compared to 2013, primarily reflecting 8% higher general and administrative expenses. In the strategic businesses, total operating expenses were stable at CHF 18,184 million. In the non-strategic businesses, total operating expenses of CHF 3,936 million increased 18% compared to 2013, primarily reflecting a 25% increase in general and administrative expenses, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. Business realignment costs in 2014 were CHF 608 million.

**Range of reasonably possible losses related to certain legal proceedings:** The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for certain proceedings for which the Group believes an estimate is possible was zero to CHF 1.3 billion at the end 4Q14.

**Diluted earnings per share from continuing operations** were CHF 0.54 for 4Q14 compared to a diluted loss per share of CHF 0.37 in 4Q13 and diluted earnings per share of CHF 0.55 in 3Q14.

**Capital distribution proposal:** Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 24, 2015 a distribution of CHF 0.70 per share out of reserves from capital contributions for the financial year 2014. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.

**Benefits of the integrated bank:** In 4Q14, Credit Suisse generated CHF 1.1 billion of collaboration revenues from the integrated bank. This corresponds to 17.7% of Core net revenues in 4Q14.

**Adoption of funding valuation adjustments (FVA):** Credit Suisse adopted the application of funding valuation adjustments on uncollateralized derivatives in 4Q14 in its Investment Banking division. Funding valuation adjustments also apply to collateralized derivatives where the collateral received cannot be used for funding purposes. The banking industry has increasingly moved towards this valuation methodology, which accounts for the funding costs of uncollateralized derivatives at their present value rather than accruing for these costs over the life of the derivatives. The one-time transitional charge at adoption recognized in the Investment Banking division was CHF 279 million in 4Q14.

**Compensation for 2014:** 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 of USD 2.8 billion regarding all outstanding US cross-border matters. Both the Board of Directors and the Executive Board voluntarily proposed a reduction to their compensation awarded for 2014. In proposing the 2014 compensation for the Board of Directors and the Executive Board, the Compensation Committee agreed that this event should have consequences for the compensation of the Group's top supervisory and management bodies, in order to reflect the collective institutional 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. The Board of Directors approved a 50% reduction in their share-based compensation for 2014, which is approximately 25% of their total compensation. The Compensation Committee applied a downward adjustment equivalent to 20% of the amount that would have otherwise been granted to members of the Executive Board as variable compensation for 2014. Of this amount, half was deducted from the amount that would have been awarded as long-term incentive awards for 2014 and half was deducted from existing unvested long-term incentive awards granted for 2013.

## Private Banking & Wealth Management

In **4Q14**, Private Banking & Wealth Management reported income before taxes of CHF 882 million and net revenues of CHF 3,226 million. In its **strategic businesses**, Private Banking & Wealth Management reported income before taxes of CHF 1,007 million and net revenues of CHF 3,206 million. Compared to 4Q13, income before taxes was lower with lower transaction-and performance-based revenues and lower net interest income partially offset by higher other revenues. Net revenues were slightly lower compared to 4Q13 as significantly lower performance fees were partially offset by a gain on the sale of the local affluent and upper affluent business in Italy and a gain related to the partial sale of an investment in Euroclear. Compared to 3Q14, income before taxes was higher with higher net revenues partially offset by higher total operating expenses. Higher net revenues mainly reflected significantly higher performance fees and higher other revenues driven by the gains from the sales. In its **non-strategic businesses**, Private Banking & Wealth Management reported a loss before taxes of CHF 125 million and net revenues of CHF 20 million. In 4Q14, assets under management for the division were CHF 1,377.3 billion and the division had net asset outflows of CHF 3.0 billion.

For the **full-year 2014**, Private Banking & Wealth Management reported income before taxes of CHF 2,088 million and net revenues of CHF 12,637 million. In its **strategic businesses**, Private Banking & Wealth Management reported income before taxes of CHF 3,726 million and net revenues of CHF 12,108 million. Net revenues were slightly lower compared to 2013, with lower net interest income and lower transaction- and performance-based revenues partially offset by higher other revenues. Recurring commissions and fees were stable. Provision for credit losses was CHF 112 million in 2014 on a net loan portfolio of CHF 236 billion. Total operating expenses were lower compared to 2013 reflecting lower compensation and benefits, lower commission expenses and slightly lower general and administrative expenses. In its **non-strategic businesses**, Private

Banking & Wealth Management reported a loss before taxes of CHF 1,638 million compared to a loss before taxes of CHF 387 million in 2013, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. Net revenues of CHF 529 million were significantly lower compared to 2013 with a reduction across all revenue categories, reflecting the winding-down of non-strategic operations during the course of the year. The results in 2014 also reflected a CHF 109 million gain on the sale of the domestic private banking business booked in Germany and a CHF 91 million gain on the sale of the Customized Fund Investment Group business, compared to a CHF 237 million gain on the sale of the exchange-traded funds and secondary private equity businesses and investment-related gains of CHF 128 million in 2013.

**Capital metrics:** At the end of 4Q14, Private Banking & Wealth Management **strategic businesses** reported Basel III risk-weighted assets of CHF 102 billion, an increase of CHF 13 billion compared to the end of 4Q13. This increase was driven by methodology changes, increases in risk levels due to business growth and foreign exchange movements. At the end of 4Q14, Private Banking & Wealth Management **non-strategic businesses** reported Basel III risk-weighted assets of CHF 6 billion, unchanged compared to the end of 4Q13, reflecting a decrease of CHF 2 billion due to the continued progress in winding down the non-strategic portfolio offset by an external methodology impact of CHF 2 billion in 1Q14. Swiss leverage exposure was CHF 11 billion, reflecting a decrease of 50% compared to the end of 4Q13.

### Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **3,226** | **3,125** | **3,429** | 3 | (6) | **12,637** | **13,442** | (6) |
| **Provision for credit losses** | **42** | **25** | **44** | 68 | (5) | **123** | **152** | (19) |
| Compensation and benefits | 1,265 | 1,194 | 1,314 | 6 | (4) | 4,984 | 5,331 | (7) |
| Total other operating expenses | 1,037 | 963 | 1,647 | 8 | (37) | 5,442 | 4,719 | 15 |
| **Total operating expenses** | **2,302** | **2,157** | **2,961** | 7 | (22) | **10,426** | **10,050** | 4 |
| **Income before taxes** | **882** | **943** | **424** | (6) | 108 | **2,088** | **3,240** | (36) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 24.9 | 27.3 | 13.4 | – | – | 15.4 | 25.6 | – |
| Cost/income ratio | 71.4 | 69.0 | 86.4 | – | – | 82.5 | 74.8 | – |

## Strategic results

*Private Banking & Wealth Management's strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.*

### Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 985 | 968 | 1,038 | 2 | (5) | 3,870 | 4,155 | (7) |
| Recurring commissions and fees | 1,177 | 1,149 | 1,149 | 2 | 2 | 4,601 | 4,554 | 1 |
| Transaction- and performance-based revenues | 976 | 827 | 1,137 | 18 | (14) | 3,587 | 3,818 | (6) |
| Other revenues | 68 | (5) | (64) | – | – | 50 | (93) | – |
| **Net revenues** | **3,206** | **2,939** | **3,260** | 9 | (2) | **12,108** | **12,434** | (3) |
| **Provision for credit losses** | **39** | **26** | **27** | 50 | 44 | **112** | **82** | 37 |
| **Total operating expenses** | **2,160** | **2,041** | **2,185** | 6 | (1) | **8,270** | **8,725** | (5) |
| **Income before taxes** | **1,007** | **872** | **1,048** | 15 | (4) | **3,726** | **3,627** | 3 |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 29.8 | 26.7 | 35.4 | – | – | 29.0 | 30.7 | – |
| Cost/income ratio | 67.4 | 69.4 | 67.0 | – | – | 68.3 | 70.2 | – |

In 4Q14, the strategic businesses for Private Banking & Wealth Management reported income before taxes of CHF 1,007 million and net revenues of CHF 3,206 million. Results in 4Q14 were impacted by the higher average exchange rate of the US dollar against the Swiss franc, favorably impacting revenues and assets under management and adversely impacting expenses, primarily in Wealth Management Clients.

Compared to 4Q13, net revenues were slightly lower with lower transaction- and performance-based revenues and lower net interest income, partially offset by higher other revenues and slightly higher recurring commissions and fees. The decrease in transaction- and performance-based revenues reflected significantly lower performance fees and carried interest and lower placement fees, partially offset by higher corporate advisory fees arising from integrated solutions revenues and higher brokerage and product issuing fees. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes. Other revenues increased due to the gain on the sale of the local affluent and upper affluent business in Italy, the gain related to the partial sale of an investment in Euroclear, mostly recorded in Wealth Management Clients with the remainder in Corporate & Institutional Clients, and a lower impairment related to Asset Management Finance LLC (AMF) in 4Q14. Recurring commissions and fees were slightly higher driven by significantly higher discretionary mandate management fees and higher investment account and services fees, partially offset by slightly lower investment product management fees.

Compared to 3Q14, net revenues were higher driven by higher transaction- and performance-based revenues, higher other revenues, slightly higher recurring commissions and fees and slightly higher net interest income. The increase in transaction- and performance-based revenues reflected significantly higher annual performance fees from single manager hedge funds, higher carried interest and higher placement fees, partially offset by lower equity participation income as 3Q14 included a gain related to a more capital-efficient positioning of the liquidity portfolio. Other revenues were higher reflecting the gain on the sale of the local affluent and upper affluent business in Italy and the gain related to the partial sale of an investment in Euroclear. Recurring commissions and fees were slightly higher reflecting higher investment account and services fees, higher discretionary mandate management fees and slightly higher asset management fees. Net interest income was slightly higher with stable loan and deposit margins on slightly higher average loan and deposit volumes.

Provision for credit losses was CHF 39 million, compared to CHF 27 million in 4Q13 and CHF 26 million in 3Q14, reflecting a small number of individual cases related to commodities, structured finance and shipping in Corporate & Institutional Clients.

Total operating expenses were stable compared to 4Q13 and higher compared to 3Q14. Compared to 4Q13, compensation and benefits decreased 2%. General and administrative expenses increased 5% due to higher litigation provisions and higher professional services fees. Compared to 3Q14, compensation and benefits increased 6% reflecting higher discretionary compensation expenses. General and administrative expenses increased 7%, reflecting higher professional services fees and higher advertising and marketing expenses, partially offset by lower litigation provisions.

The cost/income ratio for the strategic results was 67% in 4Q14, stable compared to 4Q13 and down two percentage points compared to 3Q14.

In 4Q14, Private Banking & Wealth Management completed the sale of the local affluent and upper affluent business in Italy to Banca Generali S.p.A. The division also completed the transaction pursuant to which the former head of Credit Suisse Hedging-Griffo Asset Management became the controlling shareholder of a new firm, Verde Asset Management, and Credit Suisse became a minority shareholder.

### Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 695 | 695 | 760 | 0 | (9) | 2,784 | 3,050 | (9) |
| Recurring commissions and fees | 765 | 744 | 742 | 3 | 3 | 2,967 | 2,956 | 0 |
| Transaction- and performance-based revenues | 600 | 603 | 554 | 0 | 8 | 2,442 | 2,438 | 0 |
| Other revenues | 93 | 0 | 0 | – | – | 93 | 0 | – |
| **Net revenues** | **2,153** | **2,042** | **2,056** | 5 | 5 | **8,286** | **8,444** | (2) |
| **Provision for credit losses** | **10** | **17** | **18** | (41) | (44) | **60** | **78** | (23) |
| **Total operating expenses** | **1,566** | **1,489** | **1,572** | 5 | 0 | **5,966** | **6,316** | (6) |
| **Income before taxes** | **577** | **536** | **466** | 8 | 24 | **2,260** | **2,050** | 10 |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.7 | 72.9 | 76.5 | – | – | 72.0 | 74.8 | – |

The *Wealth Management Clients* business in 4Q14 reported income before taxes of CHF 577 million and net revenues of CHF 2,153 million. Net revenues increased 5% compared to 4Q13, with higher other revenues, higher transaction- and performance-based revenues and slightly higher recurring commissions and fees, partially offset by lower net interest income. Higher other revenues reflected the gain on the sale of the local affluent and upper affluent business in Italy and the majority of the gain related to the partial sale of an investment in Euroclear. Higher transaction- and performance-based revenues reflected higher corporate advisory fees, higher foreign exchange client business and higher brokerage and product issuing fees, partially offset by significantly lower performance fees from Hedging-Griffo. Recurring commissions and fees were slightly higher with higher discretionary mandate management fees and higher investment account and services fees partially offset by lower investment product management fees and slightly lower banking services fees. Lower net interest income reflected the low interest rate environment, significantly lower deposit margins on slightly higher average deposit volumes, stable loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding.

Compared to 3Q14, net revenues increased 5%, driven by higher other revenues and slightly higher recurring commissions and fees. Higher other revenues reflected the gain on the sale of the local affluent and upper affluent business in Italy and the majority of the gain related to the partial sale of an investment in Euroclear. Recurring commissions and fees were slightly higher with higher discretionary mandate management fees, slightly higher banking services fees and slightly higher investment account and services fees. Transaction- and performance-based revenues were stable with significantly lower equity participation income offset by higher foreign exchange client business, higher corporate advisory fees and real estate gains resulting from a credit recovery case in 4Q14. Equity participation income was significantly lower as 3Q14 included a gain related to a more capital-efficient positioning of the liquidity portfolio. Net interest income was stable with stable loan and deposit margins on slightly higher average loan and deposit volumes.

In 4Q14, the gross margin was 99 basis points, five basis points lower compared to 4Q13, mainly reflecting a 9.6% increase in average assets under management and the continued adverse interest rate environment, partially offset by the gain on the sale of the local affluent and upper affluent business in Italy and the majority of the gain related to the partial sale of an investment in Euroclear. Compared to 3Q14, the gross margin was up two basis points benefitting from the gains from the sales, partially offset by a 2.8% increase in average assets under management.

Wealth Management Clients net margin was 27 basis points in 4Q14, four basis points higher compared to 4Q13 reflecting the gains from the sales partially offset by the 9.6% increase in average assets under management. Compared to 3Q14, the net margin was two basis points higher as the gains from the sales were partially offset by higher operating expenses.

## Corporate & Institutional Clients

| | | in / end of | | % change | | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 290 | 273 | 278 | 6 | 4 | 1,086 | 1,105 | (2) |
| Recurring commissions and fees | 112 | 113 | 108 | (1) | 4 | 460 | 451 | 2 |
| Transaction- and performance-based revenues | 111 | 107 | 102 | 4 | 9 | 453 | 455 | 0 |
| Other revenues | 5 | (5) | (3) | – | – | (26) | (15) | 73 |
| **Net revenues** | **518** | **488** | **485** | 6 | 7 | **1,973** | **1,996** | (1) |
| **Provision for credit losses** | **29** | **9** | **9** | 222 | 222 | **52** | **4** | – |
| **Total operating expenses** | **269** | **239** | **263** | 13 | 2 | **1,004** | **1,027** | (2) |
| **Income before taxes** | **220** | **240** | **213** | (8) | 3 | **917** | **965** | (5) |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 51.9 | 49.0 | 54.2 | – | – | 50.9 | 51.5 | – |

The *Corporate & Institutional Clients* business in 4Q14 reported income before taxes of CHF 220 million and net revenues of CHF 518 million. Net revenues were 7% higher compared to 4Q13, reflecting an increase in all revenue categories. Net interest income was higher with higher loan margins on higher average loan volumes partially offset by lower levels of deposits eligible as stable funding and significantly lower deposit margins on higher average deposit volumes. Higher transaction- and performance-based revenues reflected real estate gains resulting from a credit recovery case in 4Q14, higher brokerage and product issuing fees and higher sales and trading revenues, partially offset by lower foreign exchange client business and lower corporate advisory fees. Higher other revenues reflected the gain related to the partial sale of an investment in Euroclear. Recurring commissions and fees were higher driven by higher banking services fees and higher investment product management fees partially offset by lower discretionary mandate management fees.

Compared to 3Q14, net revenues increased 6%, with higher net interest income, higher other revenues and higher transaction- and performance-based revenues. Higher net interest income reflected slightly higher loan margins on slightly higher average loan volumes and slightly lower deposit margins on higher average deposit volumes. Higher other revenues reflected the gain related to the partial sale of an investment in Euroclear. Higher transaction- and performance-based revenues reflected the real estate gains in 4Q14, partially offset by lower corporate advisory fees. Recurring commissions and fees were stable including higher investment account and services fees.

### Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 300 | 292 | 299 | 3 | 0 | 1,174 | 1,147 | 2 |
| Transaction- and performance-based revenues | 265 | 117 | 481 | 126 | (45) | 692 | 925 | (25) |
| Other revenues | (30) | 0 | (61) | – | (51) | (17) | (78) | (78) |
| **Net revenues** | **535** | **409** | **719** | 31 | (26) | **1,849** | **1,994** | (7) |
| of which fee-based revenues | 554 | 398 | 769 | 39 | (28) | 1,818 | 2,017 | (10) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **325** | **313** | **350** | 4 | (7) | **1,300** | **1,382** | (6) |
| **Income before taxes** | **210** | **96** | **369** | 119 | (43) | **549** | **612** | (10) |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 60.7 | 76.5 | 48.7 | – | – | 70.3 | 69.3 | – |

The *Asset Management* business reported income before taxes of CHF 210 million in 4Q14, with net revenues of CHF 535 million. Net revenues decreased 26% compared to 4Q13, mainly driven by lower fee-based revenues partially offset by improved equity participations and other gains. Fee-based revenues were lower reflecting significantly lower performance fees from Hedging-Griffo, lower performance fees from single manager hedge funds and lower placement fees, partially offset by higher equity participations income. Improved equity participations and other gains reflected an impairment of CHF 68 million related to AMF recognized in 4Q13 compared to an impairment of CHF 4 million in 4Q14.

Net revenues increased 31% compared to 3Q14, primarily due to higher fee-based revenues mainly driven by annual performance fees from single manager hedge funds and higher placement fees.

The fee-based margin was 57 basis points in 4Q14, compared to 87 basis points in 4Q13 and 42 basis points in 3Q14. The decrease compared to 4Q13 reflected both the lower fee-based revenues and the higher average assets under management, which increased 11.1% compared to 4Q13. The increase compared to 3Q14 reflected the higher fee-based revenues, partially offset by the higher average assets under management, which increased 2.3% compared to 3Q14.

## Non-strategic results

*The non-strategic results for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to the small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to US cross-border matters, the impact of restructuring of the German onshore operations, other smaller non-strategic positions formerly in the Corporate & Institutional Clients business and the run-off and active reduction of selected products.*

**Private Banking & Wealth Management – non-strategic results**

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **20** | **186** | **169** | (89) | (88) | **529** | **1,008** | (48) |
| **Provision for credit losses** | **3** | **(1)** | **17** | – | (82) | **11** | **70** | (84) |
| **Total operating expenses** | **142** | **116** | **776** | 22 | (82) | **2,156** | **1,325** | 63 |
| **Income/(loss) before taxes** | **(125)** | **71** | **(624)** | – | (80) | **(1,638)** | **(387)** | 323 |

In 4Q14, the non-strategic businesses reported a loss before taxes of CHF 125 million. In 3Q14, Private Banking & Wealth Management's non-strategic businesses reported income before taxes of CHF 71 million including the CHF 109 million gain on the sale of the domestic private banking business booked in Germany.

## Assets under management – Private Banking & Wealth Management

**Assets under management** of CHF 1,377.3 billion increased CHF 11.2 billion compared to the end of 3Q14, driven by foreign exchange-related movements, primarily resulting from the appreciation of the US dollar, and positive market movements, partially offset by net asset outflows. In 2014, assets under management of CHF 1,377.3 billion increased 7.4% compared to the end of 2013, reflecting positive foreign exchange-related movements, positive market movements and net new assets of CHF 28.2 billion.

**Net new assets:** Private Banking & Wealth Management recorded net asset outflows of CHF 3.0 billion in 4Q14. In the strategic portfolio, Wealth Management Clients contributed net new assets of CHF 4.4 billion in 4Q14 with continued strong inflows from emerging markets, particularly EMEA and Asia Pacific, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 3.6 billion in 4Q14. Asset Management reported net asset outflows of CHF 10.6 billion in 4Q14, mainly driven by outflows of CHF 9.2 billion of assets that resulted from the change of management of funds from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which Credit Suisse has a significant investment. In the non-strategic portfolio, net asset outflows of CHF 2.8 billion reflected the winding-down of the non-strategic portfolio. Private Banking & Wealth Management recorded net new assets of CHF 28.2 billion in 2014. In the strategic portfolio, Wealth Management Clients contributed net new assets of CHF 27.5 billion, with inflows from emerging markets and the ultra-high-net-worth individual client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 5.5 billion. Asset Management reported net new assets of CHF 3.7 billion, with inflows from a joint venture in emerging markets and in index and credit products partially offset by outflows relating to Verde Asset Management. In the non-strategic portfolio, net asset outflows of CHF 8.2 billion reflected the exit of certain businesses, of which CHF 2.0 billion were classified as discontinued operations.

**Assets under management – Private Banking & Wealth Management**

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 874.5 | 864.3 | 790.7 | 1.2 | 10.6 | 874.5 | 790.7 | 10.6 |
| Corporate & Institutional Clients | 275.9 | 266.6 | 250.0 | 3.5 | 10.4 | 275.9 | 250.0 | 10.4 |
| Asset Management | 388.5 | 391.1 | 352.3 | (0.7) | 10.3 | 388.5 | 352.3 | 10.3 |
| Non-strategic | 10.8 | 13.4 | 44.4 | (19.4) | (75.7) | 10.8 | 44.4 | (75.7) |
| Assets managed across businesses | (172.4) | (169.3) | (155.0) | 1.8 | 11.2 | (172.4) | (155.0) | 11.2 |
| **Assets under management** | **1,377.3** | **1,366.1** | **1,282.4** | 0.8 | 7.4 | **1,377.3** | **1,282.4** | 7.4 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,373.8 | 1,346.7 | 1,284.6 | 2.0 | 6.9 | 1,328.5 | 1,291.2 | 2.9 |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 4.4 | 5.1 | 1.7 | (13.7) | 158.8 | 27.5 | 18.9 | 45.5 |
| Corporate & Institutional Clients | 3.6 | 0.9 | 4.0 | 300.0 | (10.0) | 5.5 | 8.8 | (37.5) |
| Asset Management | (10.6) | 3.3 | (0.5) | – | – | 3.7 | 15.0 | (75.3) |
| Non-strategic | (2.8) | (1.4) | (1.0) | 100.0 | 180.0 | (8.2) | (5.9) | 39.0 |
| Assets managed across businesses | 2.4 | (0.5) | 0.2 | – | – | (0.3) | (4.7) | (93.6) |
| **Net new assets** | **(3.0)** | **7.4** | **4.4** | – | – | **28.2** | **32.1** | (12.1) |
| **Net new asset growth rate (annualized) (%)** | | | | | | | | |
| Net new asset growth rate – Wealth Management Clients | 2.0 | 2.5 | 0.9 | – | – | 3.5 | 2.5 | – |
| Net new asset growth rate – Asset Management | (10.8) | 3.5 | (0.6) | – | – | 1.1 | 4.6 | – |

## Investment Banking

In **4Q14**, Investment Banking reported income before taxes of CHF 12 million and net revenues of CHF 2,454 million. 4Q14 revenues were negatively impacted by the recognition of funding valuation adjustments of CHF 279 million, including CHF 108 million in the strategic businesses and CHF 171 million in the non-strategic businesses. Notwithstanding this, the **strategic businesses**, increased income before taxes by 20% on stable revenues, a reduced cost base and lower Swiss leverage exposure compared to 4Q13. Strategic revenues and income before taxes declined compared to strong 3Q14 performance, which included significant client deals. The **non-strategic business** continued to execute on the wind-down strategy, as evidenced by the sale of the commodities trading portfolio.

For the **full-year 2014**, Investment Banking profitability significantly improved, with income before taxes of CHF 2,107 million and net revenues of CHF 12,515 million, as compared to income before taxes of CHF 1,719 million and net revenues of CHF 12,565 million in 2013. The **strategic businesses** reported income before taxes of CHF 3,744 million and net revenues of CHF 13,087 million as compared to income before taxes of CHF 3,894 million and net revenues of CHF 13,096 million in 2013. Revenues in the strategic businesses were stable, as higher results in the fixed income sales and trading and underwriting and advisory franchises were offset by lower results in equity sales and trading. Fixed income sales and trading revenues increased 4% compared to 2013, driven by continued momentum in the securitized products franchise and a rebound in emerging markets revenues. Equity sales and trading revenues declined 5%, reflecting less favorable trading conditions, such as low volumes and low levels of volatility in the year. Additionally, 2013 results benefitted from quantitative easing in Japan. Systematic market making results were significantly weaker, following strong 2013 performance. Cash equities results reflected difficult market conditions and subdued activity in Brazil. The decline was partially offset by increased revenues in prime services, reflecting a strong market share, continued portfolio optimization and increased trading and clearing activity. Derivatives revenues were also robust, reflecting strong client activity and the strategy to diversify the business across products and regions. Underwriting and advisory results increased slightly, reflecting strong equity underwriting issuance, particularly initial public offerings (IPOs), and higher mergers and acquisitions (M&A) activity, mostly offset by lower debt underwriting results. Total operating expenses were stable from 2013. The **non-strategic businesses** made progress in winding-down the non-strategic unit, including reducing Basel III risk-weighted assets in US dollars, Swiss leverage exposure and costs in light of the goal to redeploy resources to growth initiatives in high returning businesses. Results reflected negative net revenues of CHF 572 million in 2014 compared to CHF 531 million in 2013. Total operating expenses decreased significantly, primarily driven by higher litigation provisions in 2013 in connection with mortgage-related matters, including the FHFA settlement.

**Capital metrics:** At the end of 4Q14, Investment Banking **strategic businesses** reported Basel III risk-weighted assets of USD 151 billion, down USD 2 billion compared to the end of 4Q13 and down USD 8 billion compared to the end of 3Q14. Swiss leverage exposure was USD 730 billion, reflecting a decrease of USD 19 billion compared to the end of 4Q13 and USD 61 billion compared to the end of 3Q14. Investment Banking made significant progress in winding down its **non-strategic businesses**, resulting in a significant reduction in Basel III risk-weighted assets and Swiss leverage exposure. At the end of 4Q14, the Basel III risk-weighted assets were USD 10 billion, down USD 11 billion compared to the end of 4Q13 and down USD 1 billion compared the end of 3Q14. This compares to a Basel III risk-weighted assets target of USD 6 billion by year-end 2015. Swiss leverage exposure was USD 64 billion, reflecting a decrease of USD 23 billion compared to the end of 4Q13 and USD 1 billion compared to the end of 3Q14. This compares to a target of USD 24 billion in Swiss leverage exposure by year-end 2015.

### Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **2,454** | **3,303** | **2,668** | (26) | (8) | **12,515** | **12,565** | 0 |
| **Provision for credit losses** | **30** | **36** | **8** | (17) | 275 | **61** | **13** | 369 |
| Compensation and benefits | 1,179 | 1,450 | 1,355 | (19) | (13) | 5,649 | 5,435 | 4 |
| Total other operating expenses | 1,233 | 1,301 | 1,869 | (5) | (34) | 4,698 | 5,398 | (13) |
| **Total operating expenses** | **2,412** | **2,751** | **3,224** | (12) | (25) | **10,347** | **10,833** | (4) |
| **Income/(loss) before taxes** | **12** | **516** | **(564)** | (98) | – | **2,107** | **1,719** | 23 |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 0.2 | 8.3 | – | – | – | 8.8 | 6.7 | – |
| Cost/income ratio | 98.3 | 83.3 | 120.8 | – | – | 82.7 | 86.2 | – |

## Strategic results

In 4Q14, the strategic businesses reported income before taxes of CHF 579 million and net revenues of CHF 2,748 million. Net revenues reflect the impact from the recognition of funding valuation adjustments of CHF 108 million, including CHF 95 million in fixed income sales and trading and CHF 13 million in equity sales and trading. The fixed income trading environment was characterized by increased volatility due to a rapid decline in oil prices. Fixed income sales and trading revenues increased compared to 4Q13, reflecting higher volumes and client activity in global macro products and continued momentum in the high-returning securitized products franchise. Revenues declined compared to a strong 3Q14, which benefitted from favorable operating conditions across many of the businesses. Equity sales and trading results were higher compared to both 4Q13 and 3Q14 reflecting continued strength in prime services and robust trading performance consistent with higher market volumes and volatility. Underwriting and advisory results declined compared to both 4Q13 and 3Q14 as higher market volatility negatively impacted underwriting issuance activity, particularly leveraged finance. The decline was partially offset by higher advisory revenues. Results in 4Q14 were impacted by the weakening of the average rate of the Swiss franc against the US dollar, which positively impacted revenues, but adversely impacted expenses. Compared to 4Q13, revenues were stable and total operating expenses declined 6% in Swiss Francs while revenues declined 8% and operating expenses declined 13% in US dollars. Compared to 3Q14, revenues declined 20% and total operating expenses declined 10% in Swiss Francs, while revenues declined 23% and operating expenses declined 14% in US dollars.

**Fixed income sales and trading:** Excluding the funding valuation adjustment, results increased 19% in 4Q14, compared to 4Q13. The fixed income trading environment was characterized by increased volatility due to a rapid decline in oil prices. These operating conditions drove higher volumes and client activity in global macro products, but adversely impacted global credit products. Overall fixed income revenues increased, driven by a significant rebound in global macro products, from subdued 4Q13 levels, particularly in the European rates and foreign exchange businesses. Securitized products revenues increased significantly, as market share gains and continued diversification drove robust growth in the asset finance business. These gains were partially offset by lower revenues in corporate lending and global credit products, as lower leveraged finance origination activity resulted in weaker trading performance, given reduced client volumes. Emerging markets revenues declined, reflecting weakness in Latin America, mostly offset by robust trading revenues from Europe, Middle East and Africa (EMEA). Excluding the funding valuation adjustment, fixed income sales and trading revenues declined 39% compared to strong 3Q14 results, which reflected favorable operating conditions. Emerging markets revenues were substantially lower, reflecting lower trading activity across most regions and lower financing activity. Securitized products revenues declined, reflecting lower non-agency and agency results, which were partially offset by continued momentum in the asset finance franchise. Global credit products revenues declined, primarily driven by lower leveraged finance results, reflecting less favorable trading conditions. Corporate lending revenues also declined. Global macro products revenues declined driven by weaker performance in the US.

**Equity sales and trading:** Equity sales and trading revenues were higher compared to 4Q13, reflecting higher equity prices and trading volumes and a rebound in volatility. Prime services results were strong, reflecting a strong market share, continued portfolio optimization and increased trading and clearing activity. We had higher derivatives results, driven by expansion into growth markets, notably in Asia Pacific. Systematic market making results were higher, as a result of more favorable trading conditions, due to a rebound in volatility. Cash equities revenues were stable. Compared to 3Q14, results reflected a significant rebound in systematic market making revenues, benefitting from more favorable trading conditions. Cash equities revenues were higher, driven by higher commissions. Prime services revenues also increased, reflecting higher client trading and clearing activity. These gains were partially offset by lower derivatives revenues following strong 3Q14 growth in fee-based products distributed by Private Banking and Wealth Management, particularly in Asia Pacific.

**Underwriting and advisory:** Debt underwriting results were lower, primarily driven by weak leveraged finance performance compared to a strong 4Q13. Leveraged finance revenues were negatively impacted by higher credit market volatility due to a rapid decline in oil prices during the quarter. Results also reflected lower revenues from structured lending in emerging markets and also investment grade issuance. Equity underwriting results declined compared to strong 4Q13 industry activity and due to a slowdown in issuance volumes, in light of higher market volatility during the quarter. As a result, revenues declined across IPOs, follow-on offerings and convertibles. Advisory revenues were strong compared to 4Q13, driven by an increase in M&A activity, partially offset by a decrease in the share of wallet. Compared to 3Q14, debt underwriting results declined, driven by a seasonal slowdown in leveraged finance industry activity and less favorable conditions, as well as a decrease in the share of wallet. Results also reflected lower revenues from structured lending in emerging markets and also investment grade issuance. Equity underwriting results declined from 3Q14 which included the landmark Alibaba transaction. Convertible revenues were lower, reflecting a decline in industry activity and the share of wallet. This was partially offset by higher revenues from follow-on offerings and IPOs. The increase in advisory revenues compared to 3Q14 was driven by higher advisory revenues, reflecting an improvement in overall M&A market conditions, partially offset by a decrease in the share of wallet.

**Investment Banking – strategic results**

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Debt underwriting | 307 | 519 | 483 | (41) | (36) | 1,777 | 1,902 | (7) |
| Equity underwriting | 205 | 214 | 273 | (4) | (25) | 870 | 765 | 14 |
| Total underwriting | 512 | 733 | 756 | (30) | (32) | 2,647 | 2,667 | (1) |
| Advisory and other fees | 238 | 170 | 194 | 40 | 23 | 749 | 658 | 14 |
| **Total underwriting and advisory** | **750** | **903** | **950** | (17) | (21) | **3,396** | **3,325** | 2 |
| Fixed income sales and trading | 850 | 1,551 | 794 | (45) | 7 | 5,457 | 5,232 | 4 |
| Equity sales and trading | 1,231 | 1,069 | 1,068 | 15 | 15 | 4,625 | 4,847 | (5) |
| **Total sales and trading** | **2,081** | **2,620** | **1,862** | (21) | 12 | **10,082** | **10,079** | 0 |
| Other | (83) | (104) | (31) | (20) | 168 | (391) | (308) | 27 |
| **Net revenues** | **2,748** | **3,419** | **2,781** | (20) | (1) | **13,087** | **13,096** | 0 |
| **Provision for credit losses** | **14** | **29** | **4** | (52) | 250 | **38** | **7** | 443 |
| **Total operating expenses** | **2,155** | **2,395** | **2,296** | (10) | (6) | **9,305** | **9,195** | 1 |
| **Income before taxes** | **579** | **995** | **481** | (42) | 20 | **3,744** | **3,894** | (4) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 9.9 | 17.1 | 8.9 | – | – | 16.8 | 17.3 | – |
| Cost/income ratio | 78.4 | 70.0 | 82.6 | – | – | 71.1 | 70.2 | – |

**Total operating expenses** decreased 6% compared to 4Q13, driven by lower discretionary compensation expenses and lower UK bank levy expenses, offset in part by increased general and administrative expenses, reflecting the foreign exchange impact of the weakening of the Swiss franc compared to the US dollar. Compared to 3Q14, total operating expenses decreased 10% in CHF. The decrease was primarily driven by lower discretionary compensation expenses. General and administrative expenses increased, reflecting the foreign exchange impact of the weakening of the Swiss franc compared to the US dollar. General and administrative expenses in US dollars were stable, as lower litigation charges and lower UK bank levy expenses were offset by higher infrastructure costs.

## Non-strategic results

*The non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, commodities trading business, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.*

**Investment Banking – non-strategic results**

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **(294)** | **(116)** | **(113)** | 153 | 160 | **(572)** | **(531)** | 8 |
| **Provision for credit losses** | **16** | **7** | **4** | 129 | 300 | **23** | **6** | 283 |
| **Total operating expenses** | **257** | **356** | **928** | (28) | (72) | **1,042** | **1,638** | (36) |
| **Loss before taxes** | **(567)** | **(479)** | **(1,045)** | 18 | (46) | **(1,637)** | **(2,175)** | (25) |

In 4Q14, Investment Banking made continued progress in winding down the non-strategic unit, including the reduction of Basel III risk-weighted assets and Swiss leverage exposure. In particular the sale of the commodities portfolio was executed. The non-strategic businesses reported a loss before taxes of CHF 567 million and negative net revenues of CHF 294 million in 4Q14. Negative net revenues were higher compared to both 4Q13 and 3Q14, primarily due to the recognition of the CHF 171 million funding valuation adjustment and the positive effect of significant valuation gains in 4Q13 and 3Q14 from proactive portfolio management initiatives in our fixed income wind-down portfolio. These losses were partially offset by gains arising from warranty claims on mortgage-related instruments compared to both 4Q13 and 3Q14 and lower funding costs from proactive management of both the legacy debt instruments and trading assets compared to 4Q13 and positive performance in legacy rates compared to 3Q14. Total operating expenses decreased compared to both 4Q13 and 3Q14, primarily reflecting significantly lower litigation provisions.

## Corporate Center

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

In **4Q14**, the Corporate Center recorded income before taxes of CHF 284 million compared to a loss before taxes of CHF 389 million in 4Q13 and a loss before taxes of CHF 158 million in 3Q14. The Corporate Center recorded a loss before taxes of CHF 137 million in its strategic results. The non-strategic results reported income before taxes of CHF 421 million, primarily including gains on sales of real estate of CHF 375 million and fair value gains on own credit spreads of CHF 324 million, partially offset by business realignment costs of CHF 206 million, primarily consisting of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives, and IT architecture simplification expenses of CHF 82 million.

For the **full-year 2014**, the Corporate Center recorded a loss before taxes of CHF 686 million compared to a loss before taxes of CHF 1,455 million in 2013. The Corporate Center recorded a loss before taxes of CHF 680 million in its strategic results. The non-strategic results reported a loss before taxes of CHF 6 million, primarily including business realignment costs of CHF 473 million, IT architecture simplification expenses of CHF 293 million and reclassifications to discontinued operations of CHF 143 million related to the sales of the Customized Fund Investment Group business and the domestic private banking business booked in Germany, partially offset by fair value gains on own credit spreads of CHF 545 million and gains on sales of real estate of CHF 414 million.

### Corporate Center

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **696** | **109** | **(177)** | – | – | **663** | **(790)** | – |
| **Provision for credit losses** | **3** | **(2)** | **1** | – | 200 | **2** | **2** | 0 |
| Compensation and benefits | 174 | 102 | 119 | 71 | 46 | 677 | 455 | 49 |
| Total other operating expenses | 235 | 167 | 92 | 41 | 155 | 670 | 208 | 222 |
| **Total operating expenses** | **409** | **269** | **211** | 52 | 94 | **1,347** | **663** | 103 |
| **Income/(loss) before taxes** | **284** | **(158)** | **(389)** | – | – | **(686)** | **(1,455)** | (53) |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **650** | **180** | **(160)** | 261 | – | **732** | **(735)** | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **229** | **93** | **161** | 146 | 42 | **738** | **372** | 98 |
| **Income/(loss) before taxes** | **421** | **87** | **(321)** | 384 | – | **(6)** | **(1,107)** | (99) |

## Balance sheet, shareholders' equity, regulatory reporting and other information

### Balance sheet
As of the end of 4Q14, total assets of CHF 921.4 billion decreased 3% compared to 3Q14, reflecting a decrease from operating activities, partially offset by the foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets decreased CHF 54.1 billion.

### Total shareholders' equity
Credit Suisse's total shareholders' equity increased to CHF 44.2 billion as of the end of 4Q14 compared to CHF 43.9 billion as of the end of 3Q14. Total shareholders' equity was impacted by net income, foreign exchange-related movements on cumulative translation adjustments and an increase in the share-based compensation obligation. These movements were partially offset by an actuarial pension adjustment and transactions relating to the hedging of future share-based compensation awards. As of the end of 4Q14, Credit Suisse had 1,607.2 million shares issued.

### BIS regulatory capital and ratios – Basel III
The common equity tier 1 (CET1) ratio was 15.0% as of the end of 4Q14, compared to 14.3% as of the end of 3Q14, reflecting an increase in CET1 capital and a slight decrease in risk-weighted assets. Credit Suisse's tier 1 ratio was 17.2% as of the end of 4Q14, compared to 16.4% as of the end of 3Q14. The total capital ratio increased to 20.9% as of the end of 4Q14 compared to 20.1% as of the end of 3Q14. CET1 capital was CHF 43.6 billion as of the end of 4Q14 compared to CHF 41.8 billion as of the end of 3Q14, mainly reflecting net income, a positive foreign exchange translation impact, an adjusted dividend accrual in 4Q14 and the net effect of share-based compensation, partially offset by the net impact of pension-related adjustments.

Risk-weighted assets decreased CHF 1.5 billion to CHF 291.4 billion as of the end of 4Q14, primarily reflecting decreased credit risk, partially offset by the foreign exchange translation impact.

Total eligible capital was CHF 61.0 billion as of the end of 4Q14, compared to CHF 58.8 billion as of the end of 3Q14, reflecting the increase in CET1 capital to CHF 43.6 billion, the increase in additional tier 1 capital to CHF 6.5 billion and the increase in tier 2 capital to CHF 10.9 billion.

As of the end of 4Q14, the Look-through CET1 ratio was 10.2%, compared to 9.8% as of the end of 3Q14, exceeding the year-end target of 10% and compared to a long-term target of 11.0%.

### Capital ratios – Basel III

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 |
| **BIS capital ratios (%)** | | | | | | |
| CET1 ratio | 15.0 | 14.3 | 15.7 | 10.2 | 9.8 | 10.0 |
| Tier 1 ratio | 17.2 | 16.4 | 16.8 | 14.1 | 13.6 | 12.8 |
| Total capital ratio | 20.9 | 20.1 | 20.6 | 16.6 | 15.9 | 15.1 |

### Swiss regulatory capital and ratios
As of the end of 4Q14, Swiss CET1 capital and Swiss total capital ratios were 14.9% and 20.8%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, Swiss CET1 capital was CHF 28.7 billion and the Swiss CET1 ratio was 10.1% as of the end of 4Q14, compared to CHF 27.8 billion and 9.7%, respectively, as of the end of 3Q14. Swiss total eligible capital was CHF 47.0 billion and the Swiss total capital ratio was 16.5% as of the end of 4Q14, compared to CHF 45.4 billion and 15.8%, respectively, as of the end of 3Q14, each on a look-through basis.

## Swiss leverage ratio

As of the end of 4Q14, the Swiss leverage ratio was 5.0% and total average exposure was CHF 1,227.5 billion. As of the end of 4Q14, Swiss total exposure was CHF 1,213 billion. The Look-through Swiss leverage ratio was 3.9% as of the end of 4Q14, compared to the current 4.0% requirement for 2019. For 2015, the Swiss leverage ratio requirement for 2019 will be 4.1%.

### Swiss leverage ratio

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 |
| **Leverage ratios (%)** | | | | | | |
| Swiss leverage ratio | 5.0 | 4.9 | 5.1 | 3.9 | 3.8 | 3.7 |

## BCBS leverage ratio

Beginning in 1Q15, Credit Suisse has adopted the new Basel Committee on Banking Supervision (BCBS) leverage ratio framework as implemented in Switzerland by FINMA. Under the BCBS framework, the leverage ratio measures tier 1 capital against the end of period exposure. As of December 31, 2014 the estimated Look-through BCBS leverage ratio measured against tier 1 capital was 3.4% and the total BCBS leverage exposure was CHF 1,167 million. Credit Suisse is targeting a Look-through leverage ratio including high- and low-trigger capital instruments of approximately 4.5% and a Look-through CET1 leverage ratio of approximately 3.0% by end-2015. Credit Suisse has revised its BCBS leverage exposure target to CHF 930–950 billion by end 2015 from the previously reported Swiss leverage exposure target of approximately CHF 1,050 million, on a foreign exchange adjusted basis.

## Bond ratings

On February 3, 2015, Standard & Poor's downgraded a number of European bank groups, including Credit Suisse's holding company, Credit Suisse Group AG, which was downgraded one notch. The ratings of the Credit Suisse's operating entities where most business activities are conducted, including Credit Suisse AG, remain unchanged at this time.

## Quarterly results documentation

The **Results Presentation Slides** and the **Results Summary** are available for download from 06:30 CEST today at: https://www.credit-suisse.com/results

**Presentation of 4Q14 – Thursday, February 12, 2015**

| Event | Analyst and investor presentation | Media conference |
|---|---|---|
| **Time** | 09:00 Zurich<br>08:00 London<br>03:00 New York | 11:00 Zurich<br>10:00 London<br>05:00 New York<br>Credit Suisse Forum St. Peter,<br>St. Peterstrasse 19, Zurich |
| **Speakers** | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer |
| **Language** | The presentation will be held in English. | The presentation will be held in English.<br>Simultaneous interpreting (English/German) |
| **Access via Internet** | Audio webcast: www.credit-suisse.com/results<br>Audio playback available | Live webcast: www.credit-suisse.com/results<br>Video playback available |
| **Access via Telephone** | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results<br>All participants will be asked to state the password “investor”<br>Please dial in 10-15 minutes before the start of the presentation. | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results<br>All participants will be asked to state the password “media”<br>Please dial in 10-15 minutes before the start of the presentation. |
| **Q&A Session** | Opportunity to ask questions via the telephone conference. | Opportunity to ask questions via the telephone conference. |
| **Playback** | Replay available approximately two hours after the event:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID: 67383183# | Replay available approximately two hours after the event:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID English: 67388587#<br>Conference ID German: 67392377# |

## Contacts

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

## Important information

The Group has not finalized its 2014 Annual Report and the Group's independent registered public accounting firm has not completed its audit of the consolidated financial statements for the period. Accordingly, the financial information contained in this Earnings Release is subject to completion of year-end procedures, which may result in changes to that information. Certain reclassifications have been made to prior periods to conform to the current presentation.

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

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

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

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

BCBS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BCBS requirements as implemented by FINMA that are effective for 1Q15, and the application of those requirements on our 4Q14 results. Changes in these requirements or any of our interpretations, assumptions or estimates would result in different numbers from those shown here. BCBS leverage exposure target assumes foreign exchange rates of USD/CHF and EUR/CHF as of the end of January 30, 2015.

Illustrative impact of SNB actions and our mitigating measures applied to 2014 results and assumes that the SNB actions occurred on January 1, 2014, foreign exchange rates of USD/CHF and EUR/CHF as of the end of January 30, 2015 and certain other modeling parameters; actual results may differ significantly.

A summary document containing a more detailed description of the option to receive the distribution in new shares will be made available to shareholders of Credit Suisse Group on or around March 20, 2015. The conditions for the exercise of the scrip alternative, including possible restrictions to its availability to some Credit Suisse Group shareholders, will be specified in such summary document. This Earnings Release does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, securities of Credit Suisse Group nor shall it (or any part of it) or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor. This Earnings Release does not constitute a prospectus within the meaning of any applicable law. Eligible shareholders should make their decision to receive a cash distribution or to receive new shares of Credit Suisse Group as part of the 2014 distribution solely based on the terms and conditions of the 2014 distribution and the additional information contained in the relevant documents, which will be available upon publication of the invitation to the 2015 Annual General Meeting. This Earnings Release does not constitute a recommendation to shareholders to elect to receive new shares of Credit Suisse Group as part of the 2014 distribution. Eligible shareholders are furthermore advised to consult their bank, tax or financial adviser before making any decision.

Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-strategic risk-weighted assets from reported shareholders' equity). Return on regulatory capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

Adjusted cost run-rates are non-GAAP financial measures. All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 4Q14 Results Presentation Slides.

The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions which is discussed above relates only to those proceedings for which the Group believes an estimate is possible and which are discussed in Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and updated in its quarterly reports (including the Group's Annual Report on Form 20-F that is scheduled to be released on March 20, 2015). It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. For additional details, see Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and the litigation note in each of its quarterly Financial Reports.

Strategic net new assets are determined based on the assumption that assets managed across businesses relate to strategic businesses only.

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

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

# Appendix

## Key metrics

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 921 | 1,025 | (476) | (10) | – | 2,105 | 2,326 | (10) |
| of which from continuing operations | 931 | 919 | (474) | 1 | – | 2,003 | 2,181 | (8) |
| Basic earnings/(loss) per share from continuing operations (CHF) | 0.55 | 0.55 | (0.37) | 0 | – | 1.15 | 1.14 | 1 |
| Diluted earnings/(loss) per share from continuing operations (CHF) | 0.54 | 0.55 | (0.37) | (2) | – | 1.14 | 1.14 | 0 |
| Return on equity attributable to shareholders (%) | 8.3 | 9.7 | (4.5) | – | – | 4.9 | 5.7 | – |
| Effective tax rate (%) | 20.2 | 27.4 | 18.9 | – | – | 37.2 | 31.2 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,376 | 6,537 | 5,920 | (2) | 8 | 25,815 | 25,217 | 2 |
| Provision for credit losses | 75 | 59 | 53 | 27 | 42 | 186 | 167 | 11 |
| Total operating expenses | 5,123 | 5,177 | 6,396 | (1) | (20) | 22,120 | 21,546 | 3 |
| Income/(loss) from continuing operations before taxes | 1,178 | 1,301 | (529) | (9) | – | 3,509 | 3,504 | 0 |
| Cost/income ratio (%) | 80.3 | 79.2 | 108.0 | – | – | 85.7 | 85.4 | – |
| Pre-tax income margin (%) | 18.5 | 19.9 | (8.9) | – | – | 13.6 | 13.9 | – |
| **Strategic results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,000 | 6,287 | 6,024 | (5) | 0 | 25,126 | 25,475 | (1) |
| Income from continuing operations before taxes | 1,449 | 1,622 | 1,461 | (11) | (1) | 6,790 | 7,173 | (5) |
| Cost/income ratio (%) | 74.9 | 73.4 | 75.2 | – | – | 72.4 | 71.5 | – |
| Return on equity – strategic results (%) | 10.9 | 11.0 | 10.8 | – | – | 12.2 | 13.4 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| Net revenues | 376 | 250 | (104) | 50 | – | 689 | (258) | – |
| Loss from continuing operations before taxes | (271) | (321) | (1,990) | (16) | (86) | (3,281) | (3,669) | (11) |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,377.3 | 1,366.1 | 1,253.4 | 0.8 | 9.9 | 1,377.3 | 1,253.4 | 9.9 |
| Net new assets from continuing operations | (3.0) | 7.8 | 4.2 | – | – | 30.2 | 36.1 | (16.3) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 921,415 | 954,362 | 872,806 | (3) | 6 | 921,415 | 872,806 | 6 |
| Net loans | 272,551 | 265,243 | 247,054 | 3 | 10 | 272,551 | 247,054 | 10 |
| Total shareholders' equity | 44,189 | 43,864 | 42,164 | 1 | 5 | 44,189 | 42,164 | 5 |
| Tangible shareholders' equity | 35,296 | 35,178 | 33,955 | 0 | 4 | 35,296 | 33,955 | 4 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 291,410 | 292,879 | 273,846 | (1) | 6 | 291,410 | 273,846 | 6 |
| CET1 ratio (%) | 15.0 | 14.3 | 15.7 | – | – | 15.0 | 15.7 | – |
| Look-through CET1 ratio (%) | 10.2 | 9.8 | 10.0 | – | – | 10.2 | 10.0 | – |
| Swiss leverage ratio (%) | 5.0 | 4.9 | 5.1 | – | – | 5.0 | 5.1 | – |
| Look-through Swiss leverage ratio (%) | 3.9 | 3.8 | 3.7 | – | – | 3.9 | 3.7 | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 1,599.5 | 1,600.8 | 1,590.9 | 0 | 1 | 1,599.5 | 1,590.9 | 1 |
| of which common shares issued | 1,607.2 | 1,607.2 | 1,596.1 | 0 | 1 | 1,607.2 | 1,596.1 | 1 |
| of which treasury shares | (7.7) | (6.4) | (5.2) | 20 | 48 | (7.7) | (5.2) | 48 |
| Book value per share (CHF) | 27.63 | 27.40 | 26.50 | 1 | 4 | 27.63 | 26.50 | 4 |
| Tangible book value per share (CHF) | 22.07 | 21.98 | 21.34 | 0 | 3 | 22.07 | 21.34 | 3 |
| Market capitalization (CHF million) | 40,308 | 42,542 | 43,526 | (5) | (7) | 40,308 | 43,526 | (7) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,800 | 45,500 | 46,000 | 1 | 0 | 45,800 | 46,000 | 0 |

See relevant tables for additional information on these metrics.

## Credit Suisse

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,372** | **6,578** | **6,139** | (3) | 4 | **26,242** | **25,856** | 1 |
| **Provision for credit losses** | **75** | **59** | **53** | 27 | 42 | **186** | **167** | 11 |
| Compensation and benefits | 2,621 | 2,747 | 2,807 | (5) | (7) | 11,334 | 11,256 | 1 |
| General and administrative expenses | 2,085 | 2,041 | 3,223 | 2 | (35) | 9,257 | 8,599 | 8 |
| Commission expenses | 422 | 393 | 389 | 7 | 8 | 1,561 | 1,738 | (10) |
| Total other operating expenses | 2,507 | 2,434 | 3,612 | 3 | (31) | 10,818 | 10,337 | 5 |
| **Total operating expenses** | **5,128** | **5,181** | **6,419** | (1) | (20) | **22,152** | **21,593** | 3 |
| **Income/(loss) from continuing operations before taxes** | **1,169** | **1,338** | **(333)** | (13) | – | **3,904** | **4,096** | (5) |
| Income tax expense/(benefit) | 236 | 366 | (63) | (36) | – | 1,452 | 1,276 | 14 |
| **Income/(loss) from continuing operations** | **933** | **972** | **(270)** | (4) | – | **2,452** | **2,820** | (13) |
| Income/(loss) from discontinued operations | (10) | 106 | (2) | – | 400 | 102 | 145 | (30) |
| **Net income/(loss)** | **923** | **1,078** | **(272)** | (14) | – | **2,554** | **2,965** | (14) |
| Net income attributable to noncontrolling interests | 2 | 53 | 204 | (96) | (99) | 449 | 639 | (30) |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | (10) | – | **2,105** | **2,326** | (10) |
| of which from continuing operations | 931 | 919 | (474) | 1 | – | 2,003 | 2,181 | (8) |
| of which from discontinued operations | (10) | 106 | (2) | – | 400 | 102 | 145 | (30) |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | 0.55 | (0.37) | 0 | – | 1.15 | 1.14 | 1 |
| Basic earnings/(loss) per share | 0.54 | 0.61 | (0.37) | (11) | – | 1.21 | 1.22 | (1) |
| Diluted earnings/(loss) per share from continuing operations | 0.54 | 0.55 | (0.37) | (2) | – | 1.14 | 1.14 | 0 |
| Diluted earnings/(loss) per share | 0.53 | 0.61 | (0.37) | (13) | – | 1.20 | 1.22 | (2) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 8.3 | 9.7 | (4.5) | – | – | 4.9 | 5.7 | – |
| Return on tangible equity attributable to shareholders [1] | 10.3 | 12.2 | (5.6) | – | – | 6.1 | 7.2 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,800 | 45,500 | 46,000 | 1 | 0 | 45,800 | 46,000 | 0 |

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

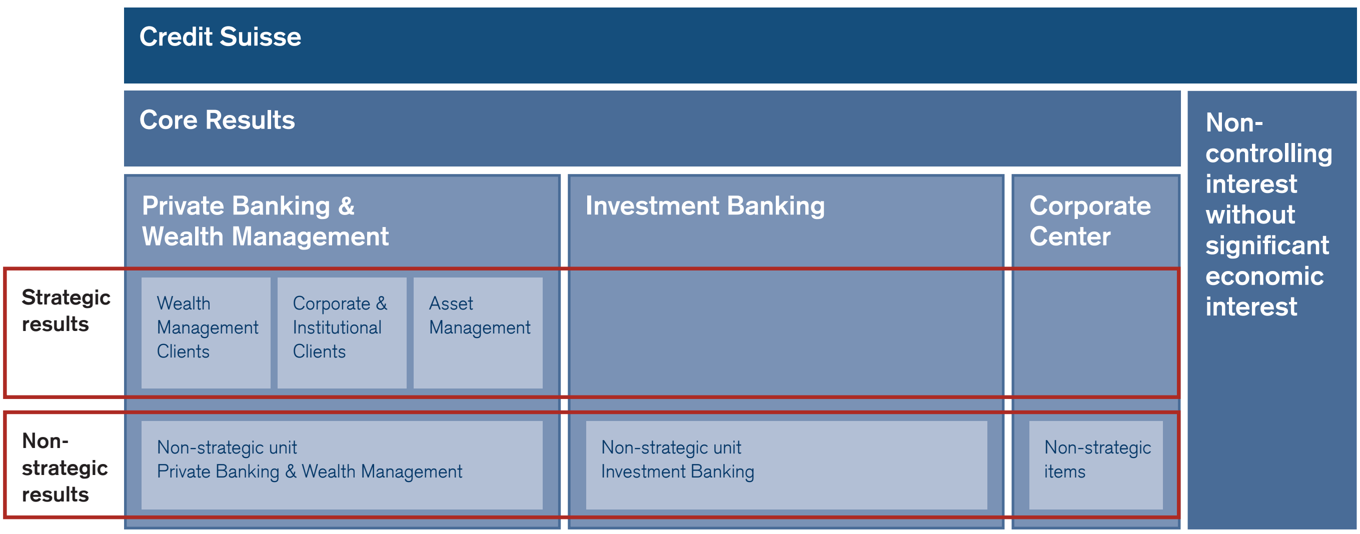
## Credit Suisse and Core Results

| | Core Results | | | Noncontrolling interests without SEI | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,376** | **6,537** | **5,920** | **(4)** | **41** | **219** | **6,372** | **6,578** | **6,139** |
| **Provision for credit losses** | **75** | **59** | **53** | **0** | **0** | **0** | **75** | **59** | **53** |
| Compensation and benefits | 2,618 | 2,746 | 2,788 | 3 | 1 | 19 | 2,621 | 2,747 | 2,807 |
| General and administrative expenses | 2,083 | 2,038 | 3,219 | 2 | 3 | 4 | 2,085 | 2,041 | 3,223 |
| Commission expenses | 422 | 393 | 389 | 0 | 0 | 0 | 422 | 393 | 389 |
| Total other operating expenses | 2,505 | 2,431 | 3,608 | 2 | 3 | 4 | 2,507 | 2,434 | 3,612 |
| **Total operating expenses** | **5,123** | **5,177** | **6,396** | **5** | **4** | **23** | **5,128** | **5,181** | **6,419** |
| **Income/(loss) from continuing operations before taxes** | **1,178** | **1,301** | **(529)** | **(9)** | **37** | **196** | **1,169** | **1,338** | **(333)** |
| Income tax expense/(benefit) | 236 | 366 | (63) | 0 | 0 | 0 | 236 | 366 | (63) |
| **Income/(loss) from continuing operations** | **942** | **935** | **(466)** | **(9)** | **37** | **196** | **933** | **972** | **(270)** |
| Income/(loss) from discontinued operations | (10) | 106 | (2) | 0 | 0 | 0 | (10) | 106 | (2) |
| **Net income/(loss)** | **932** | **1,041** | **(468)** | **(9)** | **37** | **196** | **923** | **1,078** | **(272)** |
| Net income/(loss) attributable to noncontrolling interests | 11 | 16 | 8 | (9) | 37 | 196 | 2 | 53 | 204 |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | **–** | **–** | **–** | **921** | **1,025** | **(476)** |
| of which from continuing operations | 931 | 919 | (474) | – | – | – | 931 | 919 | (474) |
| of which from discontinued operations | (10) | 106 | (2) | – | – | – | (10) | 106 | (2) |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 80.3 | 79.2 | 108.0 | – | – | – | 80.5 | 78.8 | 104.6 |
| Pre-tax income margin | 18.5 | 19.9 | (8.9) | – | – | – | 18.3 | 20.3 | (5.4) |
| Effective tax rate | 20.0 | 28.1 | 11.9 | – | – | – | 20.2 | 27.4 | 18.9 |
| Net income margin [1] | 14.4 | 15.7 | (8.0) | – | – | – | 14.5 | 15.6 | (7.8) |

[1] Based on amounts attributable to shareholders.

## Credit Suisse reporting structure

Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.



## Core Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 2,133 | 2,149 | 1,742 | (1) | 22 | 9,055 | 8,100 | 12 |
| Commissions and fees | 3,215 | 3,256 | 3,430 | (1) | (6) | 13,058 | 13,249 | (1) |
| Trading revenues | 297 | 894 | 287 | (67) | 3 | 2,007 | 2,750 | (27) |
| Other revenues | 731 | 238 | 461 | 207 | 59 | 1,695 | 1,118 | 52 |
| **Net revenues** | **6,376** | **6,537** | **5,920** | (2) | 8 | **25,815** | **25,217** | 2 |
| of which strategic results | 6,000 | 6,287 | 6,024 | (5) | 0 | 25,126 | 25,475 | (1) |
| of which non-strategic results | 376 | 250 | (104) | 50 | – | 689 | (258) | – |
| **Provision for credit losses** | **75** | **59** | **53** | 27 | 42 | **186** | **167** | 11 |
| Compensation and benefits | 2,618 | 2,746 | 2,788 | (5) | (6) | 11,310 | 11,221 | 1 |
| General and administrative expenses | 2,083 | 2,038 | 3,219 | 2 | (35) | 9,249 | 8,587 | 8 |
| Commission expenses | 422 | 393 | 389 | 7 | 8 | 1,561 | 1,738 | (10) |
| Total other operating expenses | 2,505 | 2,431 | 3,608 | 3 | (31) | 10,810 | 10,325 | 5 |
| **Total operating expenses** | **5,123** | **5,177** | **6,396** | (1) | (20) | **22,120** | **21,546** | 3 |
| of which strategic results | 4,495 | 4,612 | 4,531 | (3) | (1) | 18,184 | 18,211 | 0 |
| of which non-strategic results | 628 | 565 | 1,865 | 11 | (66) | 3,936 | 3,335 | 18 |
| **Income/(loss) from continuing operations before taxes** | **1,178** | **1,301** | **(529)** | (9) | – | **3,509** | **3,504** | 0 |
| of which strategic results | 1,449 | 1,622 | 1,461 | (11) | (1) | 6,790 | 7,173 | (5) |
| of which non-strategic results | (271) | (321) | (1,990) | (16) | (86) | (3,281) | (3,669) | (11) |
| Income tax expense/(benefit) | 236 | 366 | (63) | (36) | – | 1,452 | 1,276 | 14 |
| **Income/(loss) from continuing operations** | **942** | **935** | **(466)** | 1 | – | **2,057** | **2,228** | (8) |
| Income/(loss) from discontinued operations | (10) | 106 | (2) | – | 400 | 102 | 145 | (30) |
| **Net income/(loss)** | **932** | **1,041** | **(468)** | (10) | – | **2,159** | **2,373** | (9) |
| Net income attributable to noncontrolling interests | 11 | 16 | 8 | (31) | 38 | 54 | 47 | 15 |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | (10) | – | **2,105** | **2,326** | (10) |
| of which strategic results | 1,155 | 1,115 | 1,082 | 4 | 7 | 4,962 | 5,095 | (3) |
| of which non-strategic results | (234) | (90) | (1,558) | 160 | (85) | (2,857) | (2,769) | 3 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 11.4 | 12.8 | – | – | – | 8.8 | 8.9 | – |
| Cost/income ratio | 80.3 | 79.2 | 108.0 | – | – | 85.7 | 85.4 | – |
| Pre-tax income margin | 18.5 | 19.9 | (8.9) | – | – | 13.6 | 13.9 | – |
| Effective tax rate | 20.0 | 28.1 | 11.9 | – | – | 41.4 | 36.4 | – |
| Net income margin [2] | 14.4 | 15.7 | (8.0) | – | – | 8.2 | 9.2 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity – strategic results | 10.9 | 11.0 | 10.8 | – | – | 12.2 | 13.4 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,800 | 45,500 | 46,000 | 1 | 0 | 45,800 | 46,000 | 0 |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q14, 3Q14, 4Q13, 2014 and 27% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Based on amounts attributable to shareholders.

## Core Results – strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 | **4Q14** | 3Q14 | 4Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,000** | **6,287** | **6,024** | **376** | **250** | **(104)** | **6,376** | **6,537** | **5,920** |
| **Provision for credit losses** | **56** | **53** | **32** | **19** | **6** | **21** | **75** | **59** | **53** |
| Compensation and benefits | 2,414 | 2,635 | 2,586 | 204 | 111 | 202 | 2,618 | 2,746 | 2,788 |
| Total other operating expenses | 2,081 | 1,977 | 1,945 | 424 | 454 | 1,663 | 2,505 | 2,431 | 3,608 |
| **Total operating expenses** | **4,495** | **4,612** | **4,531** | **628** | **565** | **1,865** | **5,123** | **5,177** | **6,396** |
| **Income/(loss) from continuing operations before taxes** | **1,449** | **1,622** | **1,461** | **(271)** | **(321)** | **(1,990)** | **1,178** | **1,301** | **(529)** |
| Income tax expense/(benefit) | 283 | 491 | 371 | (47) | (125) | (434) | 236 | 366 | (63) |
| **Income/(loss) from continuing operations** | **1,166** | **1,131** | **1,090** | **(224)** | **(196)** | **(1,556)** | **942** | **935** | **(466)** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | (10) | 106 | (2) | (10) | 106 | (2) |
| **Net income/(loss)** | **1,166** | **1,131** | **1,090** | **(234)** | **(90)** | **(1,558)** | **932** | **1,041** | **(468)** |
| Net income attributable to noncontrolling interests | 11 | 16 | 8 | 0 | 0 | 0 | 11 | 16 | 8 |
| **Net income/(loss) attributable to shareholders** | **1,155** | **1,115** | **1,082** | **(234)** | **(90)** | **(1,558)** | **921** | **1,025** | **(476)** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 268,428 | 268,668 | 241,680 | 15,820 | 17,652 | 24,423 | 284,248 | 286,320 | 266,103 |
| Total assets | 887,403 | 916,536 | 821,607 | 32,791 | 36,539 | 47,575 | 920,194 | 953,075 | 869,182 |
| Swiss leverage exposure | 1,138,417 | 1,162,670 | 1,030,749 | 75,046 | 76,834 | 99,856 | 1,213,463 | 1,239,504 | 1,130,605 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,226** | **3,125** | **3,429** | 3 | (6) | **12,637** | **13,442** | (6) |
| of which strategic results | 3,206 | 2,939 | 3,260 | 9 | (2) | 12,108 | 12,434 | (3) |
| of which non-strategic results | 20 | 186 | 169 | (89) | (88) | 529 | 1,008 | (48) |
| **Provision for credit losses** | **42** | **25** | **44** | 68 | (5) | **123** | **152** | (19) |
| Compensation and benefits | 1,265 | 1,194 | 1,314 | 6 | (4) | 4,984 | 5,331 | (7) |
| General and administrative expenses | 870 | 795 | 1,443 | 9 | (40) | 4,768 | 3,914 | 22 |
| Commission expenses | 167 | 168 | 204 | (1) | (18) | 674 | 805 | (16) |
| Total other operating expenses | 1,037 | 963 | 1,647 | 8 | (37) | 5,442 | 4,719 | 15 |
| **Total operating expenses** | **2,302** | **2,157** | **2,961** | 7 | (22) | **10,426** | **10,050** | 4 |
| of which strategic results | 2,160 | 2,041 | 2,185 | 6 | (1) | 8,270 | 8,725 | (5) |
| of which non-strategic results | 142 | 116 | 776 | 22 | (82) | 2,156 | 1,325 | 63 |
| **Income/(loss) before taxes** | **882** | **943** | **424** | (6) | 108 | **2,088** | **3,240** | (36) |
| of which strategic results | 1,007 | 872 | 1,048 | 15 | (4) | 3,726 | 3,627 | 3 |
| of which non-strategic results | (125) | 71 | (624) | – | (80) | (1,638) | (387) | 323 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 24.9 | 27.3 | 13.4 | – | – | 15.4 | 25.6 | – |
| Cost/income ratio | 71.4 | 69.0 | 86.4 | – | – | 82.5 | 74.8 | – |
| Pre-tax income margin | 27.3 | 30.2 | 12.4 | – | – | 16.5 | 24.1 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,377.3 | 1,366.1 | 1,282.4 | 0.8 | 7.4 | 1,377.3 | 1,282.4 | 7.4 |
| Net new assets | (3.0) | 7.4 | 4.4 | – | – | 28.2 | 32.1 | (12.1) |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 26,100 | 26,000 | 26,000 | 0 | 0 | 26,100 | 26,000 | – |
| Number of relationship managers | 4,260 | 4,270 | 4,330 | 0 | (2) | 4,260 | 4,330 | (2) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q14, 3Q14, 4Q13, 2014 and 29% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Private Banking & Wealth Management (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 995 | 980 | 1,058 | 2 | (6) | 3,924 | 4,252 | (8) |
| Recurring commissions and fees | 1,208 | 1,191 | 1,232 | 1 | (2) | 4,772 | 4,956 | (4) |
| Transaction- and performance-based revenues | 989 | 846 | 1,186 | 17 | (17) | 3,657 | 3,967 | (8) |
| Other revenues [1] | 34 | 108 | (47) | (69) | – | 284 | 267 | 6 |
| **Net revenues** | **3,226** | **3,125** | **3,429** | 3 | (6) | **12,637** | **13,442** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 61 | 43 | 76 | 42 | (20) | 216 | 281 | (23) |
| Releases of provisions | (19) | (18) | (32) | 6 | (41) | (93) | (129) | (28) |
| **Provision for credit losses** | **42** | **25** | **44** | 68 | (5) | **123** | **152** | (19) |

1 Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

## Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 985 | 968 | 1,038 | 2 | (5) | 3,870 | 4,155 | (7) |
| Recurring commissions and fees | 1,177 | 1,149 | 1,149 | 2 | 2 | 4,601 | 4,554 | 1 |
| Transaction- and performance-based revenues | 976 | 827 | 1,137 | 18 | (14) | 3,587 | 3,818 | (6) |
| Other revenues | 68 | (5) | (64) | – | – | 50 | (93) | – |
| **Net revenues** | **3,206** | **2,939** | **3,260** | 9 | (2) | **12,108** | **12,434** | (3) |
| New provisions | 58 | 43 | 58 | 35 | 0 | 186 | 210 | (11) |
| Releases of provisions | (19) | (17) | (31) | 12 | (39) | (74) | (128) | (42) |
| **Provision for credit losses** | **39** | **26** | **27** | 50 | 44 | **112** | **82** | 37 |
| Compensation and benefits | 1,216 | 1,150 | 1,242 | 6 | (2) | 4,775 | 5,027 | (5) |
| General and administrative expenses | 784 | 731 | 750 | 7 | 5 | 2,847 | 2,938 | (3) |
| Commission expenses | 160 | 160 | 193 | 0 | (17) | 648 | 760 | (15) |
| Total other operating expenses | 944 | 891 | 943 | 6 | 0 | 3,495 | 3,698 | (5) |
| **Total operating expenses** | **2,160** | **2,041** | **2,185** | 6 | (1) | **8,270** | **8,725** | (5) |
| **Income before taxes** | **1,007** | **872** | **1,048** | 15 | (4) | **3,726** | **3,627** | 3 |
| of which Wealth Management Clients | 577 | 536 | 466 | 8 | 24 | 2,260 | 2,050 | 10 |
| of which Corporate & Institutional Clients | 220 | 240 | 213 | (8) | 3 | 917 | 965 | (5) |
| of which Asset Management | 210 | 96 | 369 | 119 | (43) | 549 | 612 | (10) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 29.8 | 26.7 | 35.4 | – | – | 29.0 | 30.7 | – |
| Cost/income ratio | 67.4 | 69.4 | 67.0 | – | – | 68.3 | 70.2 | – |
| Pre-tax income margin | 31.4 | 29.7 | 32.1 | – | – | 30.8 | 29.2 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 102,407 | 100,114 | 89,428 | 2 | 15 | 102,407 | 89,428 | 15 |
| Total assets | 335,382 | 328,636 | 295,799 | 2 | 13 | 335,382 | 295,799 | 13 |
| Swiss leverage exposure | 369,355 | 362,285 | 326,195 | 2 | 13 | 369,355 | 326,195 | 13 |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q14, 3Q14, 4Q13, 2014 and 29% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,153** | **2,042** | **2,056** | 5 | 5 | **8,286** | **8,444** | (2) |
| **Provision for credit losses** | **10** | **17** | **18** | (41) | (44) | **60** | **78** | (23) |
| **Total operating expenses** | **1,566** | **1,489** | **1,572** | 5 | 0 | **5,966** | **6,316** | (6) |
| **Income before taxes** | **577** | **536** | **466** | 8 | 24 | **2,260** | **2,050** | 10 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.7 | 72.9 | 76.5 | – | – | 72.0 | 74.8 | – |
| Pre-tax income margin | 26.8 | 26.2 | 22.7 | – | – | 27.3 | 24.3 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 695 | 695 | 760 | 0 | (9) | 2,784 | 3,050 | (9) |
| Recurring commissions and fees | 765 | 744 | 742 | 3 | 3 | 2,967 | 2,956 | 0 |
| Transaction- and performance-based revenues | 600 | 603 | 554 | 0 | 8 | 2,442 | 2,438 | 0 |
| Other revenues | 93 [1] | 0 | 0 | – | – | 93 | 0 | – |
| **Net revenues** | **2,153** | **2,042** | **2,056** | 5 | 5 | **8,286** | **8,444** | (2) |
| **Gross and net margin (annualized) (bp)** | | | | | | | | |
| Net interest income | 32 | 33 | 38 | – | – | 33 | 38 | – |
| Recurring commissions and fees | 35 | 35 | 38 | – | – | 36 | 38 | – |
| Transaction- and performance-based revenues | 28 | 29 | 28 | – | – | 29 | 31 | – |
| Other revenues | 4 | 0 | 0 | – | – | 1 | 0 | – |
| **Gross margin** [2] | **99** | **97** | **104** | – | – | **99** | **107** | – |
| **Net margin** [3] | **27** | **25** | **23** | – | – | **27** | **26** | – |
| **Number of relationship managers** | | | | | | | | |
| Switzerland | 1,670 | 1,670 | 1,590 | 0 | 5 | 1,670 | 1,590 | 5 |
| EMEA | 1,030 | 1,050 | 1,180 | (2) | (13) | 1,030 | 1,180 | (13) |
| Americas | 540 | 550 | 560 | (2) | (4) | 540 | 560 | (4) |
| Asia Pacific | 490 | 480 | 440 | 2 | 11 | 490 | 440 | 11 |
| **Number of relationship managers** | **3,730** | **3,750** | **3,770** | (1) | (1) | **3,730** | **3,770** | (1) |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

[1] Reflects a gain on the sale of the local affluent and upper affluent business in Italy and a gain related to the partial sale of an investment in Euroclear.

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

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

## Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **518** | **488** | **485** | 6 | 7 | **1,973** | **1,996** | (1) |
| **Provision for credit losses** | **29** | **9** | **9** | 222 | 222 | **52** | **4** | – |
| **Total operating expenses** | **269** | **239** | **263** | 13 | 2 | **1,004** | **1,027** | (2) |
| **Income before taxes** | **220** | **240** | **213** | (8) | 3 | **917** | **965** | (5) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 51.9 | 49.0 | 54.2 | – | – | 50.9 | 51.5 | – |
| Pre-tax income margin | 42.5 | 49.2 | 43.9 | – | – | 46.5 | 48.3 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 290 | 273 | 278 | 6 | 4 | 1,086 | 1,105 | (2) |
| Recurring commissions and fees | 112 | 113 | 108 | (1) | 4 | 460 | 451 | 2 |
| Transaction- and performance-based revenues | 111 | 107 | 102 | 4 | 9 | 453 | 455 | 0 |
| Other revenues [1] | 5 | (5) | (3) | – | – | (26) | (15) | 73 |
| **Net revenues** | **518** | **488** | **485** | 6 | 7 | **1,973** | **1,996** | (1) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 530 | 520 | 560 | 2 | (5) | 530 | 560 | (5) |

[1] Includes fair value losses on the Clock Finance transaction and a gain related to the partial sale of an investment in Euroclear in 4Q14. Other periods presented relate to fair value gains/(losses) on the Clock Finance transaction.

## Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **535** | **409** | **719** | 31 | (26) | **1,849** | **1,994** | (7) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **325** | **313** | **350** | 4 | (7) | **1,300** | **1,382** | (6) |
| **Income before taxes** | **210** | **96** | **369** | 119 | (43) | **549** | **612** | (10) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 60.7 | 76.5 | 48.7 | – | – | 70.3 | 69.3 | – |
| Pre-tax income margin | 39.3 | 23.5 | 51.3 | – | – | 29.7 | 30.7 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 300 | 292 | 299 | 3 | 0 | 1,174 | 1,147 | 2 |
| Transaction- and performance-based revenues | 265 | 117 | 481 | 126 | (45) | 692 | 925 | (25) |
| Other revenues | (30) | 0 | (61) | – | (51) | (17) | (78) | (78) |
| **Net revenues** | **535** | **409** | **719** | 31 | (26) | **1,849** | **1,994** | (7) |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 300 | 292 | 299 | 3 | 0 | 1,174 | 1,147 | 2 |
| Placement, transaction and other fees | 84 | 63 | 116 | 33 | (28) | 262 | 284 | (8) |
| Performance fees and carried interest | 148 | 22 | 342 | – | (57) | 309 | 542 | (43) |
| Equity participations income | 22 | 21 | 12 | 5 | 83 | 73 | 44 | 66 |
| Fee-based revenues | 554 | 398 | 769 | 39 | (28) | 1,818 | 2,017 | (10) |
| Investment-related gains/(losses) | (15) | 11 | 19 | – | – | 21 | 52 | (60) |
| Equity participations and other gains/(losses) | (4) | 0 | (68) | – | (94) | (1) | (86) | (99) |
| Other revenues [1] | 0 | 0 | (1) | – | 100 | 11 | 11 | 0 |
| **Net revenues** | **535** | **409** | **719** | 31 | (26) | **1,849** | **1,994** | (7) |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 57 | 42 | 87 | – | – | 48 | 58 | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **20** | **186** | **169** | (89) | (88) | **529** | **1,008** | (48) |
| **Provision for credit losses** | **3** | **(1)** | **17** | – | (82) | **11** | **70** | (84) |
| Compensation and benefits | 49 | 44 | 72 | 11 | (32) | 209 | 304 | (31) |
| Total other operating expenses | 93 | 72 | 704 | 29 | (87) | 1,947 | 1,021 | 91 |
| **Total operating expenses** | **142** | **116** | **776** | 22 | (82) | **2,156** | **1,325** | 63 |
| **Income/(loss) before taxes** | **(125)** | **71** | **(624)** | – | (80) | **(1,638)** | **(387)** | 323 |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 3 | 122 | 28 | (98) | (89) | 169 | 164 | 3 |
| Legacy cross-border business and small markets | 35 | 38 | 52 | (8) | (33) | 158 | 203 | (22) |
| Restructuring of former Asset Management division | (29) | 12 | 54 | – | – | 155 | 534 | (71) |
| Other | 11 | 14 | 35 | (21) | (69) | 47 | 107 | (56) |
| **Net revenues** | **20** | **186** | **169** | (89) | (88) | **529** | **1,008** | (48) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 5,854 | 6,612 | 6,079 | (11) | (4) | 5,854 | 6,079 | (4) |
| Total assets | 10,567 | 13,396 | 20,692 | (21) | (49) | 10,567 | 20,692 | (49) |
| Swiss leverage exposure | 11,247 | 14,230 | 21,589 | (21) | (48) | 11,247 | 21,589 | (48) |

## Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,454** | **3,303** | **2,668** | (26) | (8) | **12,515** | **12,565** | 0 |
| of which strategic results | 2,748 | 3,419 | 2,781 | (20) | (1) | 13,087 | 13,096 | 0 |
| of which non-strategic results | (294) | (116) | (113) | 153 | 160 | (572) | (531) | 8 |
| **Provision for credit losses** | **30** | **36** | **8** | (17) | 275 | **61** | **13** | 369 |
| Compensation and benefits | 1,179 | 1,450 | 1,355 | (19) | (13) | 5,649 | 5,435 | 4 |
| General and administrative expenses | 992 | 1,076 | 1,667 | (8) | (40) | 3,813 | 4,477 | (15) |
| Commission expenses | 241 | 225 | 202 | 7 | 19 | 885 | 921 | (4) |
| Total other operating expenses | 1,233 | 1,301 | 1,869 | (5) | (34) | 4,698 | 5,398 | (13) |
| **Total operating expenses** | **2,412** | **2,751** | **3,224** | (12) | (25) | **10,347** | **10,833** | (4) |
| of which strategic results | 2,155 | 2,395 | 2,296 | (10) | (6) | 9,305 | 9,195 | 1 |
| of which non-strategic results | 257 | 356 | 928 | (28) | (72) | 1,042 | 1,638 | (36) |
| **Income before taxes** | **12** | **516** | **(564)** | (98) | – | **2,107** | **1,719** | 23 |
| of which strategic results | 579 | 995 | 481 | (42) | 20 | 3,744 | 3,894 | (4) |
| of which non-strategic results | (567) | (479) | (1,045) | 18 | (46) | (1,637) | (2,175) | (25) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 0.2 | 8.3 | – | – | – | 8.8 | 6.7 | – |
| Cost/income ratio | 98.3 | 83.3 | 120.8 | – | – | 82.7 | 86.2 | – |
| Pre-tax income margin | 0.5 | 15.6 | (21.1) | – | – | 16.8 | 13.7 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,400 | 19,200 | 19,700 | 1 | (2) | 19,400 | 19,700 | (2) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 4Q14, 3Q14, 4Q13, 2014 and 26% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 307 | 519 | 482 | (41) | (36) | 1,777 | 1,902 | (7) |
| Equity underwriting | 205 | 214 | 273 | (4) | (25) | 870 | 766 | 14 |
| Total underwriting | 512 | 733 | 755 | (30) | (32) | 2,647 | 2,668 | (1) |
| Advisory and other fees | 237 | 170 | 194 | 39 | 22 | 748 | 658 | 14 |
| **Total underwriting and advisory** | **749** | **903** | **949** | (17) | (21) | **3,395** | **3,326** | 2 |
| Fixed income sales and trading | 610 | 1,440 | 746 | (58) | (18) | 4,967 | 4,823 | 3 |
| Equity sales and trading | 1,185 | 1,071 | 1,050 | 11 | 13 | 4,591 | 4,750 | (3) |
| **Total sales and trading** | **1,795** | **2,511** | **1,796** | (29) | 0 | **9,558** | **9,573** | 0 |
| Other | (90) | (111) | (77) | (19) | 17 | (438) | (334) | 31 |
| **Net revenues** | **2,454** | **3,303** | **2,668** | (26) | (8) | **12,515** | **12,565** | – |

## Investment Banking – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 307 | 519 | 483 | (41) | (36) | 1,777 | 1,902 | (7) |
| Equity underwriting | 205 | 214 | 273 | (4) | (25) | 870 | 765 | 14 |
| Total underwriting | 512 | 733 | 756 | (30) | (32) | 2,647 | 2,667 | (1) |
| Advisory and other fees | 238 | 170 | 194 | 40 | 23 | 749 | 658 | 14 |
| **Total underwriting and advisory** | **750** | **903** | **950** | (17) | (21) | **3,396** | **3,325** | 2 |
| Fixed income sales and trading | 850 | 1,551 | 794 | (45) | 7 | 5,457 | 5,232 | 4 |
| Equity sales and trading | 1,231 | 1,069 | 1,068 | 15 | 15 | 4,625 | 4,847 | (5) |
| **Total sales and trading** | **2,081** | **2,620** | **1,862** | (21) | 12 | **10,082** | **10,079** | 0 |
| Other | (83) | (104) | (31) | (20) | 168 | (391) | (308) | 27 |
| **Net revenues** | **2,748** | **3,419** | **2,781** | (20) | (1) | **13,087** | **13,096** | 0 |
| **Provision for credit losses** | **14** | **29** | **4** | (52) | 250 | **38** | **7** | 443 |
| Compensation and benefits | 1,137 | 1,412 | 1,322 | (19) | (14) | 5,494 | 5,267 | 4 |
| General and administrative expenses | 785 | 766 | 784 | 2 | 0 | 2,957 | 3,048 | (3) |
| Commission expenses | 233 | 217 | 190 | 7 | 23 | 854 | 880 | (3) |
| Total other operating expenses | 1,018 | 983 | 974 | 4 | 5 | 3,811 | 3,928 | (3) |
| **Total operating expenses** | **2,155** | **2,395** | **2,296** | (10) | (6) | **9,305** | **9,195** | 1 |
| **Income before taxes** | **579** | **995** | **481** | (42) | 20 | **3,744** | **3,894** | (4) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 9.9 | 17.1 | 8.9 | – | – | 16.8 | 17.3 | – |
| Cost/income ratio | 78.4 | 70.0 | 82.6 | – | – | 71.1 | 70.2 | – |
| Pre-tax income margin | 21.1 | 29.1 | 17.3 | – | – | 28.6 | 29.7 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 149,849 | 152,316 | 136,946 | (2) | 9 | 149,849 | 136,946 | 9 |
| Risk-weighted assets – Basel III (USD) | 151,420 | 159,410 | 153,898 | (5) | (2) | 151,420 | 153,898 | (2) |
| Total assets | 506,820 | 541,941 | 492,829 | (6) | 3 | 506,820 | 492,829 | 3 |
| Swiss leverage exposure | 722,037 | 755,332 | 665,953 | (4) | 8 | 722,037 | 665,953 | 8 |
| Swiss leverage exposure (USD) | 729,607 | 790,509 | 748,388 | (8) | (3) | 729,607 | 748,388 | (3) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 4Q14, 3Q14, 4Q13, 2014 and 28% in 2013 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(294)** | **(116)** | **(113)** | 153 | 160 | **(572)** | **(531)** | 8 |
| **Provision for credit losses** | **16** | **7** | **4** | 129 | 300 | **23** | **6** | 283 |
| Compensation and benefits | 42 | 38 | 33 | 11 | 27 | 155 | 168 | (8) |
| Total other operating expenses | 215 | 318 | 895 | (32) | (76) | 887 | 1,470 | (40) |
| of which litigation | 133 | 227 | 842 | (41) | (84) | 583 | 1,223 | (52) |
| **Total operating expenses** | **257** | **356** | **928** | (28) | (72) | **1,042** | **1,638** | (36) |
| **Loss before taxes** | **(567)** | **(479)** | **(1,045)** | 18 | (46) | **(1,637)** | **(2,175)** | (25) |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | (205) | (16) | 60 | – | – | (320) | (32) | – |
| Legacy rates business | (6) | (52) | (1) | (88) | 500 | (79) | 12 | – |
| Legacy funding costs | (33) | (35) | (94) | (6) | (65) | (148) | (381) | (61) |
| Other | (50) | (13) | (78) | 285 | (36) | (25) | (130) | (81) |
| **Net revenues** | **(294)** | **(116)** | **(113)** | 153 | 160 | **(572)** | **(531)** | 8 |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 9,966 | 11,040 | 18,344 | (10) | (46) | 9,966 | 18,344 | (46) |
| Risk-weighted assets – Basel III (USD) | 10,070 | 11,554 | 20,615 | (13) | (51) | 10,070 | 20,615 | (51) |
| Total assets | 22,224 | 23,143 | 26,883 | (4) | (17) | 22,224 | 26,883 | (17) |
| Swiss leverage exposure | 63,799 | 62,604 | 78,267 | 2 | (18) | 63,799 | 78,267 | (18) |
| Swiss leverage exposure (USD) | 64,468 | 65,520 | 87,955 | (2) | (27) | 64,468 | 87,955 | (27) |

## Corporate Center results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **696** | **109** | **(177)** | – | – | **663** | **(790)** | – |
| **Provision for credit losses** | **3** | **(2)** | **1** | – | 200 | **2** | **2** | 0 |
| Compensation and benefits | 174 | 102 | 119 | 71 | 46 | 677 | 455 | 49 |
| General and administrative expenses | 221 | 167 | 109 | 32 | 103 | 668 | 196 | 241 |
| Commission expenses | 14 | 0 | (17) | – | – | 2 | 12 | (83) |
| Total other operating expenses | 235 | 167 | 92 | 41 | 155 | 670 | 208 | 222 |
| **Total operating expenses** | **409** | **269** | **211** | 52 | 94 | **1,347** | **663** | 103 |
| **Income/(loss) before taxes** | **284** | **(158)** | **(389)** | – | – | **(686)** | **(1,455)** | (53) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 16,172 | 16,238 | 15,306 | 0 | 6 | 16,172 | 15,306 | 6 |
| Total assets | 45,201 | 45,959 | 32,979 | (2) | 37 | 45,201 | 32,979 | 37 |
| Swiss leverage exposure | 47,025 | 45,053 | 38,601 | 4 | 22 | 47,025 | 38,601 | 22 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Corporate Center – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY | **2014** | 2013 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **650** | **180** | **(160)** | 261 | – | **732** | **(735)** | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **229** | **93** | **161** | 146 | 42 | **738** | **372** | 98 |
| **Income/(loss) before taxes** | **421** | **87** | **(321)** | 384 | – | **(6)** | **(1,107)** | (99) |
| of which fair value impact from movements in own credit spreads | 324 | 351 | (202) | (8) | – | 545 | (315) | – |
| of which realignment costs [1] | (206) | (69) | (131) | 199 | 57 | (473) | (394) | 20 |
| of which IT architecture simplification expenses | (82) | (69) | (69) | 19 | 19 | (293) | (128) | 129 |
| of which real estate sales | 375 | – | 68 | – | 451 | 414 | 68 | – |
| of which litigation provisions | 21 | – | – | – | – | 21 | – | – |
| of which legacy funding costs [2] | (22) | (21) | 6 | 5 | – | (71) | (57) | 25 |
| of which reclassifications to discontinued operations [3] | 9 | (106) | 5 | – | 80 | (143) | (220) | (35) |
| of which other non-strategic items | 2 | 1 | 2 | 100 | – | (6) | (61) | (90) |

[1] Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
[2] Represents legacy funding costs associated with non-Basel III compliant debt instruments.
[3] Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and Customized Fund Investment Group businesses and the domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **4Q14** | 3Q14 | 4Q13 | **2014** | 2013 |
|---|---|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **324** | **351** | **(202)** | **545** | **(315)** |
| of which fair value gains/(losses) on own long-term vanilla debt | 205 | 252 | (180) | 336 | (268) |
| of which fair value gains/(losses) from DVA on structured notes | 164 | 97 | (69) | 261 | (130) |
| of which fair value gains/(losses) on stand-alone derivatives | (45) | 2 | 47 | (52) | 83 |

## Assets under management – Group

| | end of | | | % change | |
|---|---|---|---|---|---|
| | **4Q14** | 3Q14 | 4Q13 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Wealth Management Clients | 874.5 | 864.3 | 790.7 | 1.2 | 10.6 |
| Corporate & Institutional Clients | 275.9 | 266.6 | 250.0 | 3.5 | 10.4 |
| Asset Management | 388.5 | 391.1 | 352.3 | (0.7) | 10.3 |
| Non-strategic | 10.8 | 13.4 | 44.4 | (19.4) | (75.7) |
| Assets managed across businesses [1] | (172.4) | (169.3) | (155.0) | 1.8 | 11.2 |
| **Assets under management** | **1,377.3** | **1,366.1** | **1,282.4** | **0.8** | **7.4** |
| of which continuing operations | 1,377.3 | 1,366.1 | 1,253.4 | 0.8 | 9.9 |
| of which discontinued operations | 0.0 | 0.0 | 29.0 | – | (100.0) |
| **Assets under management from continuing operations** | **1,377.3** | **1,366.1** | **1,253.4** | **0.8** | **9.9** |
| of which discretionary assets | 429.0 | 434.5 | 397.6 | (1.3) | 7.9 |
| of which advisory assets | 948.3 | 931.6 | 855.8 | 1.8 | 10.8 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets – Group

| in | **4Q14** | 3Q14 | 4Q13 | **2014** | 2013 |
|---|---|---|---|---|---|
| **Net new assets (CHF billion)** | | | | | |
| Wealth Management Clients | 4.4 | 5.1 | 1.7 | 27.5 | 18.9 |
| Corporate & Institutional Clients | 3.6 | 0.9 | 4.0 | 5.5 | 8.8 |
| Asset Management | (10.6) | 3.3 | (0.5) | 3.7 | 15.0 |
| Non-strategic | (2.8) | (1.4) | (1.0) | (8.2) | (5.9) |
| Assets managed across businesses [1] | 2.4 | (0.5) | 0.2 | (0.3) | (4.7) |
| **Net new assets** | **(3.0)** | **7.4** | **4.4** | **28.2** | **32.1** |
| of which continuing operations | (3.0) | 7.8 | 4.2 | 30.2 | 36.1 |
| of which discontinued operations | 0.0 | (0.4) | 0.2 | (2.0) | (4.0) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## BIS statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q14** | 3Q14 | 4Q13 | % change QoQ | **4Q14** | 3Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 44,189 | 43,864 | 42,164 | 1 | 44,189 | 43,864 | 42,164 | 1 |
| Regulatory adjustments [1] | (375) | (669) | (1,069) | (44) | (375) | (669) | (1,069) | (44) |
| Adjustments subject to phase-in | (248) [2] | (1,359) | 1,894 [3] | (82) | (14,938) | (15,274) | (14,615) | (2) |
| **CET1 capital** | **43,566** | **41,836** [0] | **42,989** | 4 | **28,876** | **27,921** | **26,480** | 3 |
| Additional tier 1 instruments | 11,316 [4] | 10,884 | 7,484 | 4 | 11,316 | 10,884 | 7,484 | 4 |
| Additional tier 1 instruments subject to phase-out [5] | 2,473 | 2,345 | 3,652 | 5 | – | – | – | – |
| Deductions from additional tier 1 capital | (7,307) [6] | (6,889) | (8,064) | 6 | – | – | – | – |
| **Additional tier 1 capital** | **6,482** | **6,340** | **3,072** | 2 | **11,316** | **10,884** | **7,484** | 4 |
| **Total tier 1 capital** | **50,048** | **48,176** | **46,061** | 4 | **40,192** | **38,805** | **33,964** | 4 |
| Tier 2 instruments | 6,984 [7] | 6,735 | 6,263 | 4 | 6,984 | 6,735 | 6,263 | 4 |
| Tier 2 instruments subject to phase-out | 4,190 | 4,150 | 4,321 | 1 | – | – | – | – |
| Deductions from tier 2 capital | (227) | (248) | (357) | (8) | – | – | (18) | – |
| **Tier 2 capital** | **10,947** | **10,637** | **10,227** | 3 | **6,984** | **6,735** | **6,245** | 4 |
| **Total eligible capital** | **60,995** | **58,813** | **56,288** | 4 | **47,176** | **45,540** | **40,209** | 4 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 192,663 | 194,293 | 175,631 | (1) | 185,501 | 187,734 | 167,888 | (1) |
| Market risk | 34,468 | 33,655 | 39,133 | 2 | 34,468 | 33,655 | 39,133 | 2 |
| Operational risk | 58,413 | 59,050 | 53,075 | (1) | 58,413 | 59,050 | 53,075 | (1) |
| Non-counterparty risk | 5,866 | 5,881 | 6,007 | 0 | 5,866 | 5,881 | 6,007 | 0 |
| **Risk-weighted assets** | **291,410** | **292,879** | **273,846** | (1) | **284,248** | **286,320** | **266,103** | (1) |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 15.0 | 14.3 | 15.7 | – | 10.2 | 9.8 | 10.0 | – |
| Tier 1 ratio | 17.2 | 16.4 | 16.8 | – | 14.1 | 13.6 | 12.8 | – |
| Total capital ratio | 20.9 | 20.1 | 20.6 | – | 16.6 | 15.9 | 15.1 | – |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
[4] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.2 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 5.1 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 80% of goodwill and other intangible assets (CHF 7.1 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[7] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.3 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## CET1 capital movement – Basel III

| | **4Q14** | 3Q14 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **41,836** | **39,453** |
| Net income/(loss) | 921 | 1,025 |
| Foreign exchange impact | 657 | 1,499 |
| Other [1] | 152 | (141) |
| **Balance at end of period** | **43,566** | **41,836** |

[1] Reflects the net effect of share-based compensation, the impact of a dividend accrual, which in 4Q14 includes the assumption that 50% of the proposed dividend is distributed in shares, and a change in other regulatory adjustments.

## Risk-weighted assets by division – Basel III

| | 4Q14 | 3Q14 | end of 4Q13 | % change QoQ |
|---|---|---|---|---|
| **Risk-weighted assets by division (CHF million)** | | | | |
| Private Banking & Wealth Management | 108,261 | 106,726 | 95,507 | 1 |
| Investment Banking | 159,815 | 163,356 | 155,290 | (2) |
| Corporate Center | 23,334 | 22,797 | 23,049 | 2 |
| **Risk-weighted assets** | **291,410** | **292,879** | **273,846** | (1) |

## Risk-weighted asset movement by risk type – Basel III

| | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **4Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **180,909** | **13,384** | **33,655** | **59,050** | **5,881** | **292,879** |
| Foreign exchange impact | 3,797 | 167 | 455 | 0 | 0 | 4,419 |
| Movements in risk levels | (7,480) | 1,544 | 65 | 0 | (15) | (5,886) |
| Model and parameter updates [1] | 123 | (397) | 108 | (637) | 0 | (803) |
| Methodology and policy – internal [2] | 184 | 432 | 185 | 0 | 0 | 801 |
| **Balance at end of period** | **177,533** | **15,130** | **34,468** | **58,413** | **5,866** | **291,410** |

1 Represents movements arising from updates to models and recalibrations of parameters.
2 Represents internal changes impacting how exposures are treated.

## Swiss statistics – Basel III – Group

| | **Phase-in** | | | | **Look-through** | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q14** | 3Q14 | 4Q13 | % change QoQ | **4Q14** | 3Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 43,566 | 41,836 | 42,989 | 4 | 28,876 | 27,921 | 26,480 | 3 |
| Swiss regulatory adjustments [1] | (133) | (126) | 1,658 | 6 | (143) | (135) | 1,824 | 6 |
| **Swiss CET1 capital [2]** | **43,433** | **41,710** | **44,647** | 4 | **28,733** | **27,786** | **28,304** | 3 |
| High-trigger capital instruments | 8,893 [3] | 8,654 | 7,743 | 3 | 8,893 | 8,654 | 7,743 | 3 |
| Low-trigger capital instruments | 9,406 [4] | 8,965 | 6,005 | 5 | 9,406 | 8,965 | 6,005 | 5 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,663 | 6,495 | – | 3 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (7,533) | (7,137) | – | 6 | – | – | – | – |
| **Swiss total eligible capital [2]** | **60,862** | **58,687** | **58,395** | 4 | **47,032** | **45,405** | **42,052** | 4 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 291,410 | 292,879 | 273,846 | (1) | 284,248 | 286,320 | 266,103 | (1) |
| Swiss regulatory adjustments [6] | 1,058 | 950 | 1,015 | 11 | 1,057 | 949 | 1,031 | 11 |
| **Swiss risk-weighted assets** | **292,468** | **293,829** | **274,861** | 0 | **285,305** | **287,269** | **267,134** | (1) |
| **Swiss capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 14.9 | 14.2 | 16.2 | – | 10.1 | 9.7 | 10.6 | – |
| Swiss total capital ratio | 20.8 | 20.0 | 21.2 | – | 16.5 | 15.8 | 15.7 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 6.2 billion additional tier 1 instruments and CHF 2.7 billion tier 2 instruments.
4 Consists of CHF 5.1 billion additional tier 1 instruments and CHF 4.3 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

## Swiss leverage ratio – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q14** | 3Q14 | 4Q13 | % change QoQ | **4Q14** | 3Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | | | |
| **Swiss total eligible capital** | **60,862** | **58,687** | **58,395** | 4 | **47,032** | **45,405** | **42,052** | 4 |
| **Exposure (CHF million)** [1] | | | | | | | | |
| Balance sheet assets | 938,264 | 923,155 | 890,242 | 2 | 938,264 | 923,155 | 890,242 | 2 |
| Off-balance sheet exposures | 153,713 | 152,617 | 133,426 | 1 | 153,713 | 152,617 | 133,426 | 1 |
| Regulatory adjustments | 135,549 | 128,977 | 130,150 | 5 | 120,766 | 114,868 | 113,596 | 5 |
| **Total average exposure** | **1,227,526** | **1,204,749** | **1,153,818** | 2 | **1,212,743** | **1,190,640** | **1,137,264** | 2 |
| **Swiss leverage ratio (%)** | | | | | | | | |
| Swiss leverage ratio | **5.0** | **4.9** | **5.1** | – | **3.9** | **3.8** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## One-day, 98% risk management VaR (CHF)

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** |
|---|---|---|---|---|---|---|---|
| **4Q14 (CHF million)** | | | | | | | |
| Average | 10 | 36 | 8 | 1 | 19 | (29) | 45 |
| Minimum | 7 | 33 | 6 | 0 | 16 | – [1] | 36 |
| Maximum | 16 | 39 | 13 | 2 | 25 | – [1] | 53 |
| End of period | 9 | 39 | 7 | 1 | 20 | (29) | 47 |
| **3Q14 (CHF million)** | | | | | | | |
| Average | 12 | 32 | 10 | 1 | 18 | (30) | 43 |
| Minimum | 10 | 29 | 6 | 1 | 14 | – [1] | 38 |
| Maximum | 15 | 35 | 15 | 2 | 23 | – [1] | 56 |
| End of period | 11 | 35 | 11 | 1 | 18 | (34) | 42 |
| **4Q13 (CHF million)** | | | | | | | |
| Average | 12 | 34 | 8 | 2 | 17 | (33) | 40 |
| Minimum | 8 | 32 | 3 | 1 | 13 | – [1] | 33 |
| Maximum | 16 | 37 | 15 | 3 | 24 | – [1] | 45 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 |

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

## Consolidated statements of operations

| in | 4Q14 | 3Q14 | 4Q13 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,406 | 4,520 | 4,073 | 19,061 | 19,556 |
| Interest expense | (2,280) | (2,376) | (2,326) | (10,027) | (11,441) |
| Net interest income | 2,126 | 2,144 | 1,747 | 9,034 | 8,115 |
| Commissions and fees | 3,213 | 3,254 | 3,425 | 13,051 | 13,226 |
| Trading revenues | 287 | 904 | 295 | 2,026 | 2,739 |
| Other revenues | 746 | 276 | 672 | 2,131 | 1,776 |
| **Net revenues** | **6,372** | **6,578** | **6,139** | **26,242** | **25,856** |
| **Provision for credit losses** | **75** | **59** | **53** | **186** | **167** |
| Compensation and benefits | 2,621 | 2,747 | 2,807 | 11,334 | 11,256 |
| General and administrative expenses | 2,085 | 2,041 | 3,223 | 9,257 | 8,599 |
| Commission expenses | 422 | 393 | 389 | 1,561 | 1,738 |
| Total other operating expenses | 2,507 | 2,434 | 3,612 | 10,818 | 10,337 |
| **Total operating expenses** | **5,128** | **5,181** | **6,419** | **22,152** | **21,593** |
| **Income/(loss) from continuing operations before taxes** | **1,169** | **1,338** | **(333)** | **3,904** | **4,096** |
| Income tax expense/(benefit) | 236 | 366 | (63) | 1,452 | 1,276 |
| **Income/(loss) from continuing operations** | **933** | **972** | **(270)** | **2,452** | **2,820** |
| Income/(loss) from discontinued operations, net of tax | (10) | 106 | (2) | 102 | 145 |
| **Net income/(loss)** | **923** | **1,078** | **(272)** | **2,554** | **2,965** |
| Net income attributable to noncontrolling interests | 2 | 53 | 204 | 449 | 639 |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | **2,105** | **2,326** |
| of which from continuing operations | 931 | 919 | (474) | 2,003 | 2,181 |
| of which from discontinued operations | (10) | 106 | (2) | 102 | 145 |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | 0.55 | (0.37) | 1.15 | 1.14 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.06 | 0.00 | 0.06 | 0.08 |
| **Basic earnings/(loss) per share** | **0.54** | **0.61** | **(0.37)** | **1.21** | **1.22** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.54 | 0.55 | (0.37) | 1.14 | 1.14 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.06 | 0.00 | 0.06 | 0.08 |
| **Diluted earnings/(loss) per share** | **0.53** | **0.61** | **(0.37)** | **1.20** | **1.22** |

## Consolidated balance sheets

| end of | **4Q14** | 3Q14 | 4Q13 |
| --- | --- | --- | --- |
| **Assets (CHF million)** | | | |
| Cash and due from banks | 79,349 | 78,119 | 68,692 |
| Interest-bearing deposits with banks | 1,244 | 1,211 | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 163,208 | 187,261 | 160,022 |
| Securities received as collateral, at fair value | 26,854 | 22,246 | 22,800 |
| Trading assets, at fair value | 241,131 | 245,829 | 229,413 |
| Investment securities | 2,791 | 2,484 | 2,987 |
| Other investments | 8,613 | 8,275 | 10,329 |
| Net loans | 272,551 | 265,243 | 247,054 |
| Premises and equipment | 4,641 | 4,875 | 5,091 |
| Goodwill | 8,644 | 8,435 | 7,999 |
| Other intangible assets | 249 | 251 | 210 |
| Brokerage receivables | 41,629 | 61,519 | 52,045 |
| Other assets | 70,511 | 68,614 | 63,065 |
| Assets of discontinued operations held-for-sale | 0 | 0 | 1,584 |
| **Total assets** | **921,415** | **954,362** | **872,806** |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 26,009 | 30,548 | 23,108 |
| Customer deposits | 369,058 | 363,220 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 70,119 | 89,905 | 94,032 |
| Obligation to return securities received as collateral, at fair value | 26,854 | 22,246 | 22,800 |
| Trading liabilities, at fair value | 72,655 | 77,902 | 76,635 |
| Short-term borrowings | 25,921 | 32,310 | 20,193 |
| Long-term debt | 177,898 | 163,676 | 130,042 |
| Brokerage payables | 56,977 | 76,708 | 73,154 |
| Other liabilities | 50,693 | 52,896 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 0 | 0 | 1,140 |
| **Total liabilities** | **876,184** | **909,411** | **825,640** |
| Common shares | 64 | 64 | 64 |
| Additional paid-in capital | 27,007 | 26,851 | 27,853 |
| Retained earnings | 32,313 | 31,417 | 30,261 |
| Treasury shares, at cost | (192) | (163) | (139) |
| Accumulated other comprehensive income/(loss) | (15,003) | (14,305) | (15,875) |
| **Total shareholders' equity** | **44,189** | **43,864** | **42,164** |
| Noncontrolling interests | 1,042 | 1,087 | 5,002 |
| **Total equity** | **45,231** | **44,951** | **47,166** |
| **Total liabilities and equity** | **921,415** | **954,362** | **872,806** |

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **4Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **26,851** | **31,417** | **(163)** | **(14,305)** | **43,864** | **1,087** | **44,951** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (76) | (76) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 4 | 4 |
| Net income/(loss) | – | – | 921 | – | – | 921 | 2 | 923 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (698) | (698) | 35 | (663) |
| Sale of treasury shares | – | (7) | – | 2,252 | – | 2,245 | – | 2,245 |
| Repurchase of treasury shares | – | – | – | (2,291) | – | (2,291) | – | (2,291) |
| Share-based compensation, net of tax | – | 339 [3] | – | 10 | – | 349 | – | 349 |
| Financial instruments indexed to own shares [4] | – | (171) | – | – | – | (171) | – | (171) |
| Dividends paid | – | – | (25) | – | – | (25) | – | (25) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (14) | (14) |
| Other | – | (5) | – | – | – | (5) | 4 | (1) |
| **Balance at end of period** | **64** | **27,007** | **32,313** | **(192)** | **(15,003)** | **44,189** | **1,042** | **45,231** |
| **2014 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (2,143) | (1,905) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 39 | 39 |
| Net income/(loss) | – | – | 2,105 | – | – | 2,105 | 449 | 2,554 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 872 | 872 | 91 | 963 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (15) | – | 9,409 | – | 9,394 | – | 9,394 |
| Repurchase of treasury shares | – | – | – | (10,197) | – | (10,197) | – | (10,197) |
| Share-based compensation, net of tax | – | (105) [5] | – | 735 | – | 630 | – | 630 |
| Financial instruments indexed to own shares [4] | – | (80) | – | – | – | (80) | – | (80) |
| Dividends paid | – | (1,177) [6] | (53) | – | – | (1,230) | (22) | (1,252) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,378) | (2,378) |
| Other | – | (6) | – | – | – | (6) | 4 | (2) |
| **Balance at end of period** | **64** | **27,007** | **32,313** | **(192)** | **(15,003)** | **44,189** | **1,042** | **45,231** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax benefit of CHF 5 million from the excess fair value of shares delivered over recognized compensation expense.
4 The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5 Includes a net tax charge of CHF (70) million from the excess recognized compensation expense over fair value of shares delivered.
6 Paid out of reserves from capital contributions.

## Earnings per share

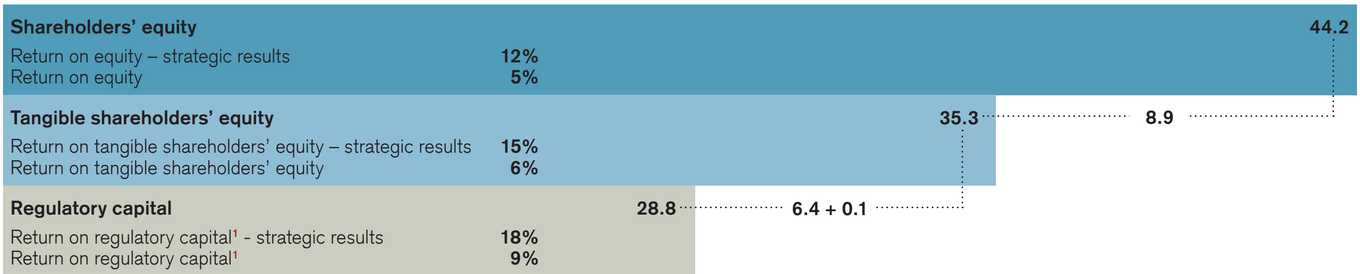
| in | 4Q14 | 3Q14 | 4Q13 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **931** | **919** | **(474)** | **2,003** | **2,181** |
| Income/(loss) from discontinued operations, net of tax | (10) | 106 | (2) | 102 | 145 |
| **Net income/(loss) attributable to shareholders** | **921** | **1,025** | **(476)** | **2,105** | **2,326** |
| Preferred securities dividends | (25) | – | (122) | (53) | (236) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **896** | **1,025** | **(598)** | **2,052** | **2,090** |
| Available for common shares | 863 | 985 | (598) | 1,962 | 1,868 |
| Available for unvested share-based payment awards | 33 | 40 | 0 | 90 | 152 |
| Available for mandatory convertible securities [1] | – | – | – | – | 70 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **896** | **1,025** | **(598)** | **2,052** | **2,090** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **896** | **1,025** | **(598)** | **2,052** | **2,090** |
| Available for common shares | 863 | 986 | (598) | 1,962 | 1,868 |
| Available for unvested share-based payment awards | 33 | 39 | 0 | 90 | 152 |
| Available for mandatory convertible securities [1] | – | – | – | – | 70 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,610.6** | **1,608.7** | **1,601.9** | **1,616.4** | **1,532.9** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | – | – | – |
| Dilutive share options and warrants | 0.8 | 0.9 | 0.0 | 0.8 | 1.4 |
| Dilutive share awards | 25.5 | 18.2 | 0.0 | 12.2 | 1.2 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,636.9** | **1,627.8** | **1,601.9** [5] | **1,629.4** | **1,535.5** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **62.2** | **64.9** | **122.0** | **72.7** | **125.0** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **–** | **–** | **63.0** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | 0.55 | (0.37) | 1.15 | 1.14 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.06 | 0.00 | 0.06 | 0.08 |
| **Basic earnings/(loss) per share available for common shares** | **0.54** | **0.61** | **(0.37)** | **1.21** | **1.22** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.54 | 0.55 | (0.37) | 1.14 | 1.14 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.06 | 0.00 | 0.06 | 0.08 |
| **Diluted earnings/(loss) per share available for common shares** | **0.53** | **0.61** | **(0.37)** | **1.20** | **1.22** |

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.
[2] Reflects changes in the fair value of the PAF2 units which were reflected in the net results of the Group until the awards were finally settled. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares. Fair value of the PAF2 units which were reflected in the net profit of the Group were not adjusted for 4Q13 and 2013, respectively, as the effect would be antidilutive.
[3] Reflects weighted-average shares outstanding on PAF2 units. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares. Weighted-average shares on PAF2 units for 4Q13 and 2013, respectively, were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.
[4] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 9.1 million, 8.7 million, 36.0 million, 8.9 million and 35.9 million for 4Q14, 3Q14, 4Q13, 2014 and 2013, respectively.
[5] Due to the net loss in 4Q13, 1.7 million weighted-average share options and warrants outstanding and 0.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

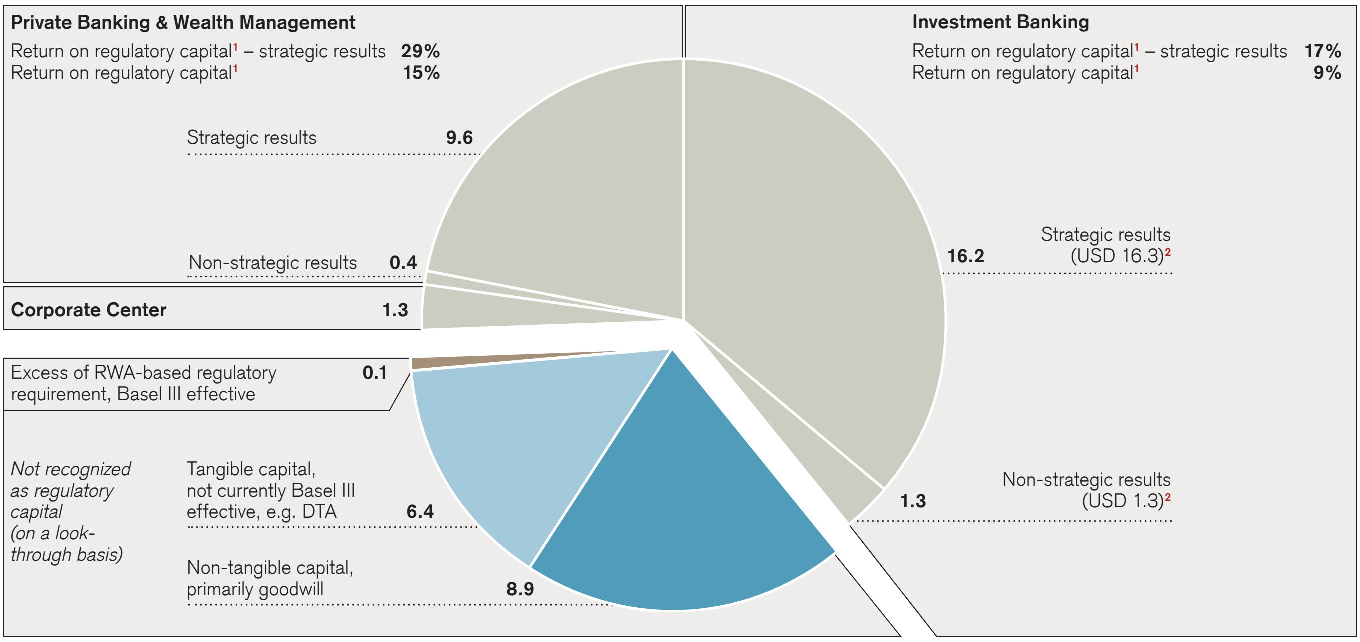
## Relationship between total shareholders' equity, tangible shareholders' equity and regulatory capital

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regards to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the average of 10% of risk-weighted assets and 2.4% of the leverage exposure utilized by each division and the firm as a whole. These percentages are used in the calculation in order to reflect the 2019 fully phased in Swiss regulatory minimum requirements for Basel III CET1 capital and leverage ratio.

End of 4Q14 / in 2014 (CHF billion, except where indicated)




## Regulatory capital allocation




[1] Calculated using income after tax, assumes tax rate of 30% and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] For Investment Banking, capital allocation and return calculation are based on US dollar denominated numbers.

**Cautionary statement regarding forward-looking information**

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

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

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

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

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

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk Factors” in I – Information on the company in our Annual Report 2013.

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

## Form 6-K

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

October 31, 2014

Commission File Number 001-15244

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Explanatory note

On October 31, 2014, the Credit Suisse Financial Report 3Q14 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibits hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and the Registration Statement on Form S-8 (file no. 333-101259), and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Dear shareholders", "Investor information" and "Financial calendar and contacts".

# Exhibits

**No. Description**

| | |
|---|---|
| 23.1 | Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm |
| 99.1 | Credit Suisse Financial Report 3Q14 |

# Signatures

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

**CREDIT SUISSE GROUP AG**

(Registrant)

Date: October 31, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

# Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm

Credit Suisse Group AG
Zurich, Switzerland

**Re: Registration Statement No. 333-180300 and 333-101259**

With respect to the subject registration statements, we acknowledge our awareness of the incorporation by reference therein of our report dated October 31, 2014 related to our review of interim financial information of Credit Suisse Group AG as of September 30, 2014 and 2013 and for the three and nine-month periods ended September 30, 2014 and 2013.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

KPMG AG

Simon Ryder — *Licensed Audit Expert*
Anthony Anzevino — *Global Lead Partner*

Zurich, Switzerland
October 31, 2014

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# Financial Report 3Q14

## Key metrics

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 1,025 | (700) | 454 | – | 126 | 1,184 | 2,802 | (58) |
| of which from continuing operations | 919 | (691) | 304 | – | 202 | 1,072 | 2,655 | (60) |
| Basic earnings/(loss) per share from continuing operations (CHF) | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.48 | (59) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.47 | (59) |
| Return on equity attributable to shareholders (%) | 9.7 | (6.7) | 4.3 | – | – | 3.7 | 9.3 | – |
| Effective tax rate (%) | 27.4 | (88.7) | 40.4 | – | – | 44.5 | 30.2 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,537 | 6,433 | 5,449 | 2 | 20 | 19,439 | 19,297 | 1 |
| Provision for credit losses | 59 | 18 | 41 | 228 | 44 | 111 | 114 | (3) |
| Total operating expenses | 5,177 | 6,785 | 4,720 | (24) | 10 | 16,997 | 15,150 | 12 |
| Income/(loss) from continuing operations before taxes | 1,301 | (370) | 688 | – | 89 | 2,331 | 4,033 | (42) |
| Cost/income ratio (%) | 79.2 | 105.5 | 86.6 | – | – | 87.4 | 78.5 | – |
| Pre-tax income margin (%) | 19.9 | (5.8) | 12.6 | – | – | 12.0 | 20.9 | – |
| **Strategic results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,287 | 6,309 | 5,693 | 0 | 10 | 19,126 | 19,451 | (2) |
| Income from continuing operations before taxes | 1,622 | 1,775 | 1,416 | (9) | 15 | 5,341 | 5,712 | (6) |
| Cost/income ratio (%) | 73.4 | 71.5 | 74.8 | – | – | 71.6 | 70.3 | – |
| Return on equity – strategic results (%) | 11.0 | 13.0 | 10.0 | – | – | 12.7 | 14.4 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| Net revenues | 250 | 124 | (244) | 102 | – | 313 | (154) | – |
| Loss from continuing operations before taxes | (321) | (2,145) | (728) | (85) | (56) | (3,010) | (1,679) | 79 |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,366.1 | 1,319.6 | 1,239.3 | 3.5 | 10.2 | 1,366.1 | 1,239.3 | 10.2 |
| Net new assets from continuing operations | 7.8 | 10.7 | 8.8 | (27.1) | (11.4) | 33.2 | 31.9 | 4.1 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 954,362 | 891,580 | 895,169 | 7 | 7 | 954,362 | 895,169 | 7 |
| Net loans | 265,243 | 254,532 | 245,232 | 4 | 8 | 265,243 | 245,232 | 8 |
| Total shareholders' equity | 43,864 | 40,944 | 42,162 | 7 | 4 | 43,864 | 42,162 | 4 |
| Tangible shareholders' equity | 35,178 | 32,716 | 33,838 | 8 | 4 | 35,178 | 33,838 | 4 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 292,879 | 285,421 | 269,263 | 3 | 9 | 292,879 | 269,263 | 9 |
| CET1 ratio (%) | 14.3 | 13.8 | 16.3 | – | – | 14.3 | 16.3 | – |
| Look-through CET1 ratio (%) | 9.8 | 9.5 | 10.2 | – | – | 9.8 | 10.2 | – |
| Swiss leverage ratio (%) | 4.9 | 4.8 | 4.5 | – | – | 4.9 | 4.5 | – |
| Look-through Swiss leverage ratio (%) | 3.8 | 3.7 | – | – | – | 3.8 | – | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 1,600.8 | 1,600.0 | 1,592.4 | 0 | 1 | 1,600.8 | 1,592.4 | 1 |
| of which common shares issued | 1,607.2 | 1,607.2 | 1,595.4 | 0 | 1 | 1,607.2 | 1,595.4 | 1 |
| of which treasury shares | (6.4) | (7.2) | (3.0) | (11) | 113 | (6.4) | (3.0) | 113 |
| Book value per share (CHF) | 27.40 | 25.59 | 26.48 | 7 | 3 | 27.40 | 26.48 | 3 |
| Tangible book value per share (CHF) | 21.98 | 20.45 | 21.25 | 7 | 3 | 21.98 | 21.25 | 3 |
| Market capitalization (CHF million) | 42,542 | 40,758 | 44,066 | 4 | (3) | 42,542 | 44,066 | (3) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

See relevant tables for additional information on these metrics.

Urs Rohner, Chairman of the Board of Directors (left) and Brady W. Dougan, Chief Executive Officer.

## DEAR SHAREHOLDERS

We delivered a good performance for the third quarter of 2014, with our results demonstrating progress in the execution of our strategy and continued strong momentum with our clients.

We reported net income attributable to shareholders of CHF 1,025 million for the third quarter and a return on equity of 10%. Net income attributable to shareholders for the first nine months of this year was CHF 1,184 million.

In 2013, we introduced the concept of "strategic results" to reflect management responsibilities following the set-up of non-strategic units. This reporting structure also serves to give you a more accurate picture of the performance of our key businesses, excluding the impact of businesses we have chosen to exit and other non-strategic positions and items. The results of these non-strategic units are disclosed each quarter as our "non-strategic results". We think it is helpful for our investors to know how our business performs when excluding the drag from the non-strategic units.

Looking at our strategic results, net income attributable to shareholders was CHF 1,115 million for the third quarter and CHF 3,807 million for the first nine months of this year. Our strategic return on equity for the quarter was 11% and 13% for the first nine months of this year, compared to our through-the-cycle Group target of 15%.

**Progress in our two divisions**

In Private Banking & Wealth Management our profitability benefitted from ongoing cost discipline, although margins remain subdued and revenues continue to be impacted by the low interest-rate environment. Our strategic businesses in Private Banking & Wealth Management generated pre-tax income of CHF 872 million and a continued high return on regulatory capital of 27% in the quarter. Our cost efficiency measures helped us to sustain our net margin in Wealth Management Clients at 27 basis points for the first nine months of this year. The cost/income ratio for our strategic businesses was 69% for both the third quarter and the first nine months of 2014.

Our strategic businesses generated net new assets of CHF 8.8 billion in the quarter, driven by strong growth in emerging markets, particularly in Asia Pacific. These strong asset inflows were partly offset by CHF 0.7 billion of outflows from our Western European cross-border business due to the importance we have placed on the regularization of our asset base. Our robust results in Asia Pacific were driven by the successful expansion of our franchise, with increased footprints in Greater China and Singapore. Additionally, we continue to focus on leveraging our strong position in our Swiss home market. In the first nine months of this year, we saw sustained growth in our ultra-high-net-worth individual lending initiative, with good momentum across both emerging and mature markets, recording CHF 3.9 billion in net new lending, compared to CHF 1.0 billion in the first nine months of 2013. We also increased collaboration revenues across both divisions, which we view as a competitive advantage, particularly with ultra-high-net-worth individual clients – one of our key growth segments.

In Investment Banking, the results for our strategic businesses reflect substantially increased profitability, improved returns and robust client activity across many businesses. For the third quarter, we generated pre-tax income of CHF 995 million in our strategic businesses – up 43% from last year's third quarter – and a return on regulatory capital of 17%. Our strong results in fixed income trading, especially in emerging markets and securitized products, and in equity underwriting, were driven by significant client transactions. Equities delivered a stable result, as robust derivatives revenues were offset by muted trading volumes in cash equities.

We continued to work towards increasing the capital and cost efficiency of our strategic businesses in Investment Banking, reporting a return on regulatory capital of 19% and a cost/income ratio of 69% for the first nine months of this year.

**Progress in executing strategy to support cash returns to shareholders**

During the third quarter, we made further progress in winding down positions in our non-strategic units. We completed the sale of our domestic private banking business booked in Germany, and, in our Investment Banking non-strategic unit, we reduced risk-weighted assets by USD 2 billion and leverage exposure by USD 11 billion.

Our Look-through Swiss leverage ratio improved to 3.8% during the quarter, within reach of the 4.1% Swiss requirement for 2019, effective in 2015. We are targeting to reach approximately 4.5% by the end of 2015. We are executing the capital measures we announced in May, which are expected to fully mitigate the impact of the US cross-border settlement on our capital position. As of the end of the third quarter of 2014, our Look-through CET1 ratio stood at 9.8%, compared to 9.5% as of the end of the second quarter. We remain on track to improve our Look-through CET1 ratio to above 10% by the end of this year. This includes the continued accrual of cash dividends for 2014. We remain committed to our intention of returning approximately half our earnings to shareholders through annual distributions, once we reach a Look-through CET1 ratio of 10% and as we continue to accrete capital toward our 11% long-term target.

We would like to thank you, our shareholders and clients, for the trust you have placed in Credit Suisse.

Sincerely

Urs Rohner Brady W. Dougan

October 2014

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-strategic risk-weighted assets from reported shareholders' equity). Return on regulatory capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 3Q14 Results Presentation Slides.

Strategic net new assets are determined based on the assumption that assets managed across businesses relate to strategic businesses only.

Refer to "Results overview" in II – Operating and financial review – Core Results in our Annual Report 2013 for further information on Core Results.

# Financial Report 3Q14



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

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

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

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

# Credit Suisse at a glance

**Credit Suisse**

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients, to ultra-high-net-worth and high-net worth individuals worldwide, as well as affluent and retail clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 45,500 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

**Private Banking & Wealth Management**

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Our Wealth Management Clients business serves ultra-high-net-worth and high-net-worth individuals around the globe, as well as affluent and retail clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

**Investment Banking**

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

# I

# Credit Suisse results

# Operating environment

Solid economic data reported in the US stood in contrast with softer data in the eurozone and China. Most major equity markets ended the quarter almost unchanged, and volatility increased towards the end of 3Q14. Long-dated government benchmark bond yields continued to decrease. The US dollar strengthened against all major currencies in 3Q14.

## ECONOMIC ENVIRONMENT

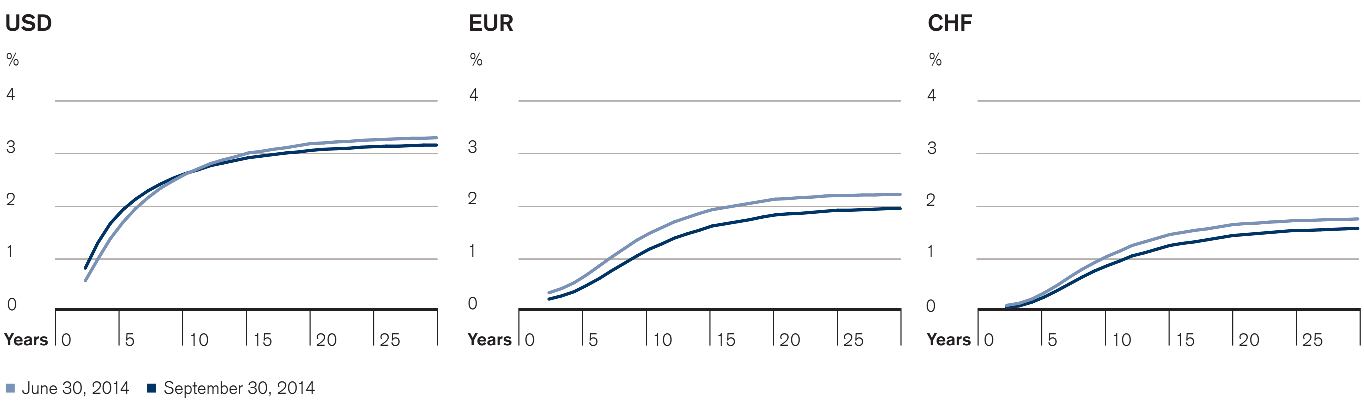
US economic data remained generally favorable in 3Q14. Certain economic indicators rose to multiyear highs, although housing market data continued to be relatively sluggish. Despite the unemployment rate remaining close to its lowest levels since 3Q08, there were few signs of rising wages. The inflation rate continued to stay below the US Federal Reserve's (Fed) target. In contrast, economic activity in the eurozone weakened, and inflation remained significantly below the European Central Bank's (ECB) target. After a slight rebound during 2Q14, Chinese economic data began to show renewed signs of softening. The People's Bank of China reacted with liquidity measures for the largest banks. Economic activity in other large emerging economies such as Russia and Brazil remained muted.

The different economic performance in the US and the eurozone was reflected in the contrasting decisions of their respective central banks. At its September meeting, the Fed announced a further reduction of its monthly asset purchases and presented principles for eventual policy normalization. The ECB, on the contrary, cut interest rates again in September and announced a program for purchases of private sector assets.

Most major equity markets ended the quarter almost unchanged. Geopolitical tensions, weak macro momentum in Europe and general uncertainty around major central bank actions contributed to the lackluster performance. Japanese equities continued their positive trend, and the falling yen helped to shrug off mixed economic data. Japan, Switzerland and the US outperformed the market and, within emerging markets, Eastern Europe underperformed. Technology and healthcare were the strongest sectors, while energy and materials were the weakest. Equity markets' volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), ended the quarter higher. Risk appetite, as measured by the Credit Suisse equity risk appetite index, decreased slightly over the quarter. The Credit Suisse Hedge Fund Index increased 0.6% in 3Q14.

### Yield curves

Long-dated yield curves decreased alongside lower inflationary pressure; short-dated yield curve in US dollars increased slightly.




**Source:** Datastream, Credit Suisse

## Equity markets

Bank stocks outperformed the broader equity market in 3Q14. Volatility increased.

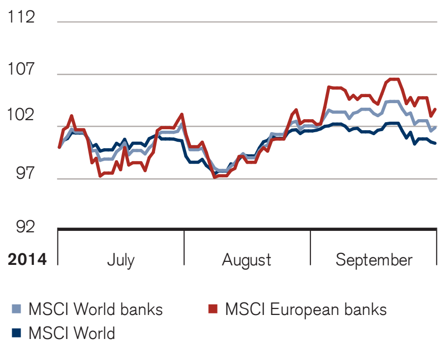
### Performance region

Index (June 30, 2014 = 100)


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

### Performance world banks

Index (June 30, 2014 = 100)




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

### Volatility

%


**Source:** Datastream, Credit Suisse

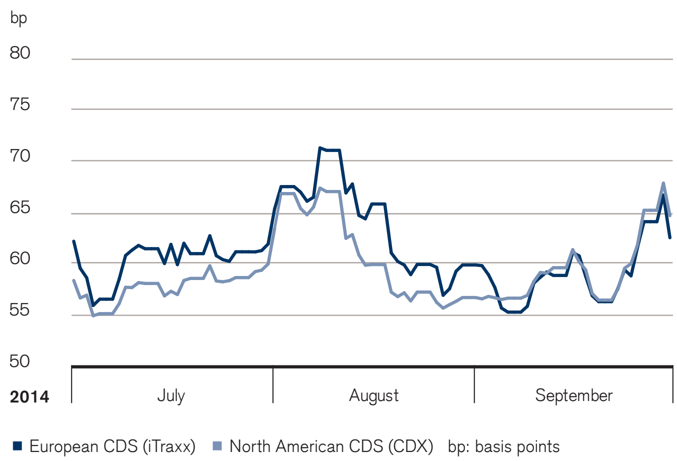
Long-dated government bond yields continued to decline in 3Q14 alongside lower inflationary pressure. Euro bonds benefited particularly, with deflationary concerns supporting more easing measures by the ECB (refer to the charts "Yield curves"). In this context, eurozone peripheral bonds (with the exception of Greece) recorded a strong performance. The decrease in short-dated government bond yields was less significant, and they even increased slightly in US dollars, reflecting market expectations that the Fed may normalize its policy next year. Investment grade and high yield credit spreads in developed markets widened with the move being more significant in US dollars due to the potential withdrawal of monetary stimulus in the US (refer to the chart "Credit spreads"). In emerging markets, wider spreads also reflected ongoing geopolitical concerns.

The US dollar strengthened against all major currencies in 3Q14. The divergence of monetary policy between the Fed and the ECB was a key driver. The euro depreciated against the British pound as monetary policy by the ECB became more expansionary, and markets were expecting the Bank of England to raise rates in 2015. The Swiss franc remained slightly above the minimum exchange rate of CHF 1.20 per euro previously declared by the Swiss National Bank (SNB), but it weakened against the US dollar.

During 3Q14, commodity markets fully reversed gains achieved in the first half, with benchmark indices in negative territory year-to-date. All segments shifted lower with slumping energy markets and renewed weakness in agriculture, which showed the worst performance. A combination of more shallow demand conditions and improved supplies, despite ongoing geopolitical turmoil, triggered a significant correction in oil markets. Recent US dollar strength and rising short-term US Treasury yields, albeit from low levels, had a negative price impact on precious metals, including gold.

## Credit spreads

Credit spreads widened over the quarter.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 3Q14 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | (10) | 12 | (12) | 17 |
| Announced mergers and acquisitions [2] | (14) | 20 | (35) | 8 |
| Completed mergers and acquisitions [2] | 9 | 4 | (11) | (29) |
| Equity underwriting [2] | (27) | 38 | (49) | 183 |
| Debt underwriting [2] | (28) | (4) | (49) | (6) |
| Syndicated lending – investment grade [2] | (20) | 24 | – | – |

1 London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes New York Stock Exchange and NASDAQ.
2 Dealogic.

### SECTOR ENVIRONMENT

Banks outperformed the market in 3Q14 by 1.5%. In particular, European banks showed good performance, ending the quarter higher by 3.6% (refer to the charts "Equity Markets").

In private banking, the low interest rate environment continued to adversely impact earnings. Clients maintained a cautious investment stance, with cash deposits remaining high despite ongoing low or falling interest rates. Overall, the wealth management sector continued to adapt to further industry-specific regulatory changes.

For investment banking, global equity trading volumes decreased compared to 2Q14 but increased compared to 3Q13. Global announced mergers and acquisitions (M&A) volumes decreased compared to 2Q14 but increased compared to 3Q13. Global completed M&A volumes increased compared to 2Q14 and 3Q13. Global equity underwriting volumes were significantly lower compared to 2Q14 but increased compared to 3Q13, also driven by stronger underwriting activity in Europe. Global debt underwriting volumes were significantly lower compared to 2Q14 and decreased compared to 3Q13. US fixed income volumes were higher compared to 2Q14. Compared to 3Q13, US fixed income volumes decreased significantly, driven particularly by lower treasury and corporate volumes.

# Credit Suisse

In 3Q14, we recorded net income attributable to shareholders of CHF 1,025 million. Diluted earnings per share from continuing operations were CHF 0.55 and return on equity attributable to shareholders was 9.7%.

As of the end of 3Q14, our Basel III CET1 ratio was 14.3% and 9.8% on a look-through basis. Our risk-weighted assets increased 3% compared to 2Q14 to CHF 292.9 billion.

## Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,578** | **6,463** | **5,676** | 2 | 16 | **19,870** | **19,717** | 1 |
| **Provision for credit losses** | **59** | **18** | **41** | 228 | 44 | **111** | **114** | (3) |
| Compensation and benefits | 2,747 | 2,973 | 2,532 | (8) | 8 | 8,713 | 8,449 | 3 |
| General and administrative expenses | 2,041 | 3,441 | 1,771 | (41) | 15 | 7,172 | 5,376 | 33 |
| Commission expenses | 393 | 377 | 422 | 4 | (7) | 1,139 | 1,349 | (16) |
| Total other operating expenses | 2,434 | 3,818 | 2,193 | (36) | 11 | 8,311 | 6,725 | 24 |
| **Total operating expenses** | **5,181** | **6,791** | **4,725** | (24) | 10 | **17,024** | **15,174** | 12 |
| **Income/(loss) from continuing operations before taxes** | **1,338** | **(346)** | **910** | – | 47 | **2,735** | **4,429** | (38) |
| Income tax expense | 366 | 307 | 368 | 19 | (1) | 1,216 | 1,339 | (9) |
| **Income/(loss) from continuing operations** | **972** | **(653)** | **542** | – | 79 | **1,519** | **3,090** | (51) |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Net income/(loss)** | **1,078** | **(662)** | **692** | – | 56 | **1,631** | **3,237** | (50) |
| Net income attributable to noncontrolling interests | 53 | 38 | 238 | 39 | (78) | 447 | 435 | 3 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | – | 126 | **1,184** | **2,802** | (58) |
| of which from continuing operations | 919 | (691) | 304 | – | 202 | 1,072 | 2,655 | (60) |
| of which from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.48 | (59) |
| Basic earnings/(loss) per share | 0.61 | (0.46) | 0.26 | – | 135 | 0.68 | 1.57 | (57) |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.47 | (59) |
| Diluted earnings/(loss) per share | 0.61 | (0.46) | 0.26 | – | 135 | 0.68 | 1.55 | (56) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 9.7 | (6.7) | 4.3 | – | – | 3.7 | 9.3 | – |
| Return on tangible equity attributable to shareholders [1] | 12.2 | (8.3) | 5.4 | – | – | 4.6 | 11.9 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

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

## Credit Suisse and Core Results

| in | Core Results 3Q14 | 2Q14 | 3Q13 | Noncontrolling interests without SEI 3Q14 | 2Q14 | 3Q13 | Credit Suisse 3Q14 | 2Q14 | 3Q13 |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,537** | **6,433** | **5,449** | **41** | **30** | **227** | **6,578** | **6,463** | **5,676** |
| **Provision for credit losses** | **59** | **18** | **41** | **0** | **0** | **0** | **59** | **18** | **41** |
| Compensation and benefits | 2,746 | 2,969 | 2,529 | 1 | 4 | 3 | 2,747 | 2,973 | 2,532 |
| General and administrative expenses | 2,038 | 3,439 | 1,769 | 3 | 2 | 2 | 2,041 | 3,441 | 1,771 |
| Commission expenses | 393 | 377 | 422 | 0 | 0 | 0 | 393 | 377 | 422 |
| Total other operating expenses | 2,431 | 3,816 | 2,191 | 3 | 2 | 2 | 2,434 | 3,818 | 2,193 |
| **Total operating expenses** | **5,177** | **6,785** | **4,720** | **4** | **6** | **5** | **5,181** | **6,791** | **4,725** |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | **37** | **24** | **222** | **1,338** | **(346)** | **910** |
| Income tax expense | 366 | 307 | 368 | 0 | 0 | 0 | 366 | 307 | 368 |
| **Income/(loss) from continuing operations** | **935** | **(677)** | **320** | **37** | **24** | **222** | **972** | **(653)** | **542** |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | 0 | 0 | 0 | 106 | (9) | 150 |
| **Net income/(loss)** | **1,041** | **(686)** | **470** | **37** | **24** | **222** | **1,078** | **(662)** | **692** |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 37 | 24 | 222 | 53 | 38 | 238 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **–** | **–** | **–** | **1,025** | **(700)** | **454** |
| of which from continuing operations | 919 | (691) | 304 | – | – | – | 919 | (691) | 304 |
| of which from discontinued operations | 106 | (9) | 150 | – | – | – | 106 | (9) | 150 |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 79.2 | 105.5 | 86.6 | – | – | – | 78.8 | 105.1 | 83.2 |
| Pre-tax income margin | 19.9 | (5.8) | 12.6 | – | – | – | 20.3 | (5.4) | 16.0 |
| Effective tax rate | 28.1 | (83.0) | 53.5 | – | – | – | 27.4 | (88.7) | 40.4 |
| Net income margin [1] | 15.7 | (10.9) | 8.3 | – | – | – | 15.6 | (10.8) | 8.0 |

[1] Based on amounts attributable to shareholders.

## INFORMATION AND DEVELOPMENTS

### Format of presentation

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

As of January 1, 2013, the Basel Committee on Banking Supervision (BCBS) Basel III framework was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report.

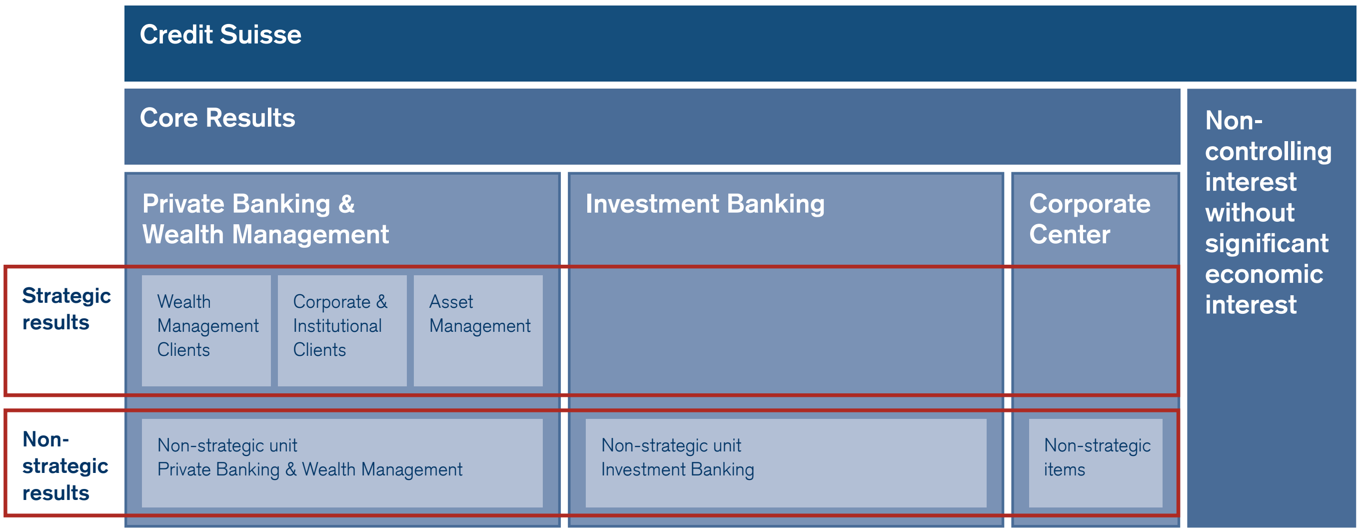
References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons.

▸ Refer to “Swiss leverage ratio” in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Swiss capital metrics for further information.

### Discontinued operations

The Private Banking & Wealth Management division completed the sale of our domestic private banking business booked in Germany to ABN AMRO in 3Q14. This transaction qualifies for discontinued operations treatment under US generally accepted accounting principles (US GAAP), and revenues and expenses of this business and the relevant gains on disposal are classified as discontinued operations in the Group’s consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment’s non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

### Management changes

Effective October 17, 2014, Eric Varvel was appointed as Chairman Asia Pacific and Middle East and stepped down from the Executive Board and his position as joint head of the Investment Banking division. Jim Amine and Tim O'Hara were appointed to the Executive Board to jointly lead the Investment Banking division with Gaël de Boissard. Jim Amine will continue to have responsibility for the investment banking department, while Tim O'Hara will continue to head the equities business and his role as President and Chief Executive Officer (CEO) of Credit Suisse Securities USA remains unchanged. Gaël de Boissard will continue to head the fixed income business and his role as CEO of Europe, Middle East and Africa remains unchanged.

Effective October 17, 2014, Helman Sitohang will assume the role of CEO of Asia Pacific reporting directly to the Group CEO and will continue to retain his role as head of Investment Banking for Asia Pacific.

### Fair valuations

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 3Q14, 46% and 30% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets at fair value recorded as level 3 increased by CHF 3.7 billion during 3Q14, primarily reflecting the foreign exchange translation impact and net purchases, primarily in trading assets and loans held-for-sale.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 33.8 billion, compared to CHF 30.2 billion as of the end of 2Q14. As of the end of 3Q14, these assets comprised 4% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, compared to 3% and 8%, respectively, as of the end of 2Q14.

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

**Regulatory developments and proposals**

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

On August 5, 2014, the Fed and the Federal Deposit Insurance Corporation (FDIC) announced the completion of their review of our 2013 resolution plan and the 2013 plans of the 10 other "first wave" filers. The Fed and FDIC released a joint statement indicating that the Fed and FDIC had identified shortcomings in the plans and that the Fed and FDIC expect "first wave" filers, including us, to demonstrate that they are making significant progress to address those shortcomings in their 2015 resolutions plans, due July 1, 2015. We are reviewing the specific comments the Fed and FDIC have provided on our 2013 plan, and we intend to work with the Fed and FDIC to identify appropriate actions to address them.

On September 3, 2014, US banking regulators re-proposed margin rules for non-cleared swaps and security-based swaps entered into by swap dealers, security-based swap dealers, major swap participants and major security-based swap participants that are banks. On September 18, 2014, the US Commodity Futures Trading Commission (CFTC) likewise re-proposed margin rules for non-cleared swaps entered into by swap dealers and major swap participants that are not banks. Under the re-proposals, Credit Suisse International (CSI) and Credit Suisse Securities Europe Limited (CSSEL), which have registered with the CFTC as swap dealers, would be required to collect and post initial and variation margin for non-cleared swaps and security-based swaps with US counterparties and prohibited from re-using initial margin. These margin requirements would be significantly higher than current market practice, which could adversely affect CSI's and CSSEL's derivatives sales and trading businesses by increasing the cost of and reducing demand for non-cleared swaps and security-based swaps. While the two re-proposals are intended to align with a framework recently established by the BCBS and the International Organization of Securities Commissions and a recent proposal by European supervisory agencies, differences in the scope of products and entities covered by the various proposals could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities. The re-proposals also would apply margin requirements to many inter-affiliate transactions, which could prevent CSI and CSSEL from engaging in certain risk management activities. The two re-proposals would follow a phased implementation schedule, with (i) variation margin requirements coming into effect on December 1, 2015, and (ii) initial margin requirements phasing in annually for different counterparties from December 1, 2015 until December 1, 2019, depending on the transactional volume of the counterparty and its affiliates during the preceding June, July and August.

On September 16, 2014, the US District Court for the District of Columbia ruled against a lawsuit brought by several US financial trade associations challenging July 2013 guidance by the CFTC regarding the cross-border application of its rules to swap dealers, such as CSI and CSSEL. Under the court's ruling, the CFTC's rules and guidance remain in effect, but the court directed the CFTC to conduct a cost-benefit analysis of some of the rules covered by the guidance. The court indicated that it did not expect this cost-benefit analysis to alter how the CFTC applies its rules. Therefore, unless the trade associations appeal the decision, significant changes to the CFTC's cross-border framework are not anticipated to result from the lawsuit. Nevertheless, the CFTC has received and is considering industry comments on certain aspects of the cross-border guidance that was the subject of the lawsuit and may yet modify the guidance. We continue to monitor these developments and prepare contingency plans to comply with the final guidance once effective.

On September 22, 2014, the Swiss Federal Council launched a consultation process on its draft Corporate Tax Reform III, consisting largely of three elements: (i) the introduction of new measures to tax mobile income in line with international standards, (ii) a proposed general reduction of cantonal income tax rates, which would also require approval at the cantonal level, and (iii) specific adjustments to enhance the corporate income tax system. The consultation process is scheduled to run until January 31, 2015.

On October 21 and 22, 2014, US federal regulators adopted a joint final rule requiring sponsors of asset-backed securitization transactions to retain 5% of the credit risk of the assets subject of the securitization. The final rule will take effect (i) for residential mortgage-backed securities transactions (RMBS), one year after its publication in the Federal Register, and (ii) for other securitization transactions, two years after its publication in the Federal Register. The specific impact of the final rule on different asset-backed securities (ABS) markets is uncertain and will vary, and certain ABS markets may result in fewer issuances or reduced liquidity, or both, and there may in certain markets be an impact on the assets acquired by securitizations.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2013 for further information

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

# Core Results

In 3Q14, we recorded net income attributable to shareholders of CHF 1,025 million. Net revenues were CHF 6,537 million and total operating expenses were CHF 5,177 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 1,622 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 321 million in 3Q14.

## Core Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 2,149 | 2,590 | 1,919 | (17) | 12 | 6,922 | 6,358 | 9 |
| Commissions and fees | 3,256 | 3,311 | 3,021 | (2) | 8 | 9,843 | 9,819 | 0 |
| Trading revenues | 894 | 186 | 273 | 381 | 227 | 1,710 | 2,463 | (31) |
| Other revenues | 238 | 346 | 236 | (31) | 1 | 964 | 657 | 47 |
| **Net revenues** | **6,537** | **6,433** | **5,449** | 2 | 20 | **19,439** | **19,297** | 1 |
| of which strategic results | 6,287 | 6,309 | 5,693 | 0 | 10 | 19,126 | 19,451 | (2) |
| of which non-strategic results | 250 | 124 | (244) | 102 | – | 313 | (154) | – |
| **Provision for credit losses** | **59** | **18** | **41** | 228 | 44 | **111** | **114** | (3) |
| Compensation and benefits | 2,746 | 2,969 | 2,529 | (8) | 9 | 8,692 | 8,433 | 3 |
| General and administrative expenses | 2,038 | 3,439 | 1,769 | (41) | 15 | 7,166 | 5,368 | 33 |
| Commission expenses | 393 | 377 | 422 | 4 | (7) | 1,139 | 1,349 | (16) |
| Total other operating expenses | 2,431 | 3,816 | 2,191 | (36) | 11 | 8,305 | 6,717 | 24 |
| **Total operating expenses** | **5,177** | **6,785** | **4,720** | (24) | 10 | **16,997** | **15,150** | 12 |
| of which strategic results | 4,612 | 4,509 | 4,257 | 2 | 8 | 13,689 | 13,680 | 0 |
| of which non-strategic results | 565 | 2,276 | 463 | (75) | 22 | 3,308 | 1,470 | 125 |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | – | 89 | **2,331** | **4,033** | (42) |
| of which strategic results | 1,622 | 1,775 | 1,416 | (9) | 15 | 5,341 | 5,712 | (6) |
| of which non-strategic results | (321) | (2,145) | (728) | (85) | (56) | (3,010) | (1,679) | 79 |
| Income tax expense | 366 | 307 | 368 | 19 | (1) | 1,216 | 1,339 | (9) |
| **Income/(loss) from continuing operations** | **935** | **(677)** | **320** | – | 192 | **1,115** | **2,694** | (59) |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Net income/(loss)** | **1,041** | **(686)** | **470** | – | 121 | **1,227** | **2,841** | (57) |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 14 | 0 | 43 | 39 | 10 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | – | 126 | **1,184** | **2,802** | (58) |
| of which strategic results | 1,115 | 1,288 | 987 | (13) | 13 | 3,807 | 4,013 | (5) |
| of which non-strategic results | (90) | (1,988) | (533) | (95) | (83) | (2,623) | (1,211) | 117 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 12.8 | – | 6.8 | – | – | 7.8 | 13.4 | – |
| Cost/income ratio | 79.2 | 105.5 | 86.6 | – | – | 87.4 | 78.5 | – |
| Pre-tax income margin | 19.9 | (5.8) | 12.6 | – | – | 12.0 | 20.9 | – |
| Effective tax rate | 28.1 | (83.0) | 53.5 | – | – | 52.2 | 33.2 | – |
| Net income margin [2] | 15.7 | (10.9) | 8.3 | – | – | 6.1 | 14.5 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity – strategic results | 11.0 | 13.0 | 10.0 | – | – | 12.7 | 14.4 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Based on amounts attributable to shareholders.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,287** | **6,309** | **5,693** | **250** | **124** | **(244)** | **6,537** | **6,433** | **5,449** |
| **Provision for credit losses** | **53** | **25** | **20** | **6** | **(7)** | **21** | **59** | **18** | **41** |
| Compensation and benefits | 2,635 | 2,719 | 2,362 | 111 | 250 | 167 | 2,746 | 2,969 | 2,529 |
| Total other operating expenses | 1,977 | 1,790 | 1,895 | 454 | 2,026 | 296 | 2,431 | 3,816 | 2,191 |
| **Total operating expenses** | **4,612** | **4,509** | **4,257** | **565** | **2,276** | **463** | **5,177** | **6,785** | **4,720** |
| **Income/(loss) from continuing operations before taxes** | **1,622** | **1,775** | **1,416** | **(321)** | **(2,145)** | **(728)** | **1,301** | **(370)** | **688** |
| Income tax expense/(benefit) | 491 | 473 | 413 | (125) | (166) | (45) | 366 | 307 | 368 |
| **Income/(loss) from continuing operations** | **1,131** | **1,302** | **1,003** | **(196)** | **(1,979)** | **(683)** | **935** | **(677)** | **320** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | 106 | (9) | 150 | 106 | (9) | 150 |
| **Net income/(loss)** | **1,131** | **1,302** | **1,003** | **(90)** | **(1,988)** | **(533)** | **1,041** | **(686)** | **470** |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 0 | 0 | 0 | 16 | 14 | 16 |
| **Net income/(loss) attributable to shareholders** | **1,115** | **1,288** | **987** | **(90)** | **(1,988)** | **(533)** | **1,025** | **(700)** | **454** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 268,668 | 259,612 | 236,044 | 17,652 | 19,557 | 25,012 | 286,320 | 279,169 | 261,056 |
| Total assets | 916,536 | 849,471 | 838,441 | 36,539 | 40,808 | 52,628 | 953,075 | 890,279 | 891,069 |
| Swiss leverage exposure | 1,162,670 | 1,071,309 | 1,076,023 | 76,834 | 84,725 | 107,525 | 1,239,504 | 1,156,034 | 1,183,548 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### RESULTS OVERVIEW

**Core Results net revenues** of CHF 6,537 million increased 20% compared to 3Q13.

In our strategic businesses, net revenues of CHF 6,287 million increased 10% compared to 3Q13, primarily reflecting higher net revenues in Investment Banking and stable net revenues in Private Banking & Wealth Management. The increase in Investment Banking was primarily driven by significant client deals across products and regions, particularly in our fixed income business. Net revenues in Private Banking & Wealth Management were stable as higher transaction- and performance-based revenues and improved other revenues were offset by lower net interest income.

In our non-strategic businesses, we reported net revenues of CHF 250 million in 3Q14, which improved compared to negative net revenues of CHF 244 million in 3Q13. Increases in Corporate Center and Investment Banking were partially offset by a decrease in Private Banking & Wealth Management. Improved results in Corporate Center primarily reflected fair value gains from movements in own credit spreads of CHF 351 million in 3Q14 compared to a fair value loss of CHF 163 million in 3Q13. Improved results in Investment Banking reflected portfolio net valuation gains and improved funding costs from proactive management of both our legacy debt instruments and trading assets. The decrease in Private Banking & Wealth Management was due to the gains on the sales of our exchange-traded funds (ETF) and secondary private equity businesses recognized in 3Q13.

▸ Refer to "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" for further information.

**Provision for credit losses** was CHF 59 million in 3Q14, with net provisions of CHF 36 million in Investment Banking and CHF 25 million in Private Banking & Wealth Management.

**Total operating expenses** of CHF 5,177 million were up 10% compared to 3Q13, primarily reflecting a 15% increase in general and administrative expenses and a 9% increase in compensation and benefits. In strategic businesses, total operating expenses of CHF 4,612 million increased 8% compared to 3Q13, mainly reflecting a 12% increase in compensation and benefits and an 8% increase in general and administrative expenses. In non-strategic businesses, total operating expenses of CHF 565 million increased 22% compared to 3Q13, primarily reflecting a 55% increase in general and administrative expenses, partially offset by a 34% decrease in compensation and benefits.

**Income tax expense** of CHF 366 million recorded in 3Q14 reflected the impact of the geographical mix of results. Overall, net deferred tax assets increased CHF 258 million to CHF 5,392 million mainly driven by foreign exchange movements as of the end of 3Q14 compared to 2Q14. Deferred tax assets on net operating losses increased CHF 232 million to CHF 990 million during 3Q14. The Core Results effective tax rate was 28.1% in 3Q14, compared to (83.0)% in 2Q14. The 2Q14 effective tax rate reflected that the majority of the litigation settlement charge was non-deductible.

▸ Refer to "Note 21 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,287** | **6,309** | **5,693** | 0 | 10 | **19,126** | **19,451** | (2) |
| **Provision for credit losses** | **53** | **25** | **20** | 112 | 165 | **96** | **59** | 63 |
| Compensation and benefits | 2,635 | 2,719 | 2,362 | (3) | 12 | 8,136 | 7,861 | 3 |
| General and administrative expenses | 1,599 | 1,428 | 1,486 | 12 | 8 | 4,454 | 4,521 | (1) |
| Commission expenses | 378 | 362 | 409 | 4 | (8) | 1,099 | 1,298 | (15) |
| Total other operating expenses | 1,977 | 1,790 | 1,895 | 10 | 4 | 5,553 | 5,819 | (5) |
| **Total operating expenses** | **4,612** | **4,509** | **4,257** | 2 | 8 | **13,689** | **13,680** | 0 |
| **Income from continuing operations before taxes** | **1,622** | **1,775** | **1,416** | (9) | 15 | **5,341** | **5,712** | (6) |
| Income tax expense | 491 | 473 | 413 | 4 | 19 | 1,491 | 1,660 | (10) |
| **Net income** | **1,131** | **1,302** | **1,003** | (13) | 13 | **3,850** | **4,052** | (5) |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 14 | 0 | 43 | 39 | 10 |
| **Net income attributable to shareholders** | **1,115** | **1,288** | **987** | (13) | 13 | **3,807** | **4,013** | (5) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 17.1 | 19.4 | 15.5 | – | – | 19.4 | 21.0 | – |
| Cost/income ratio | 73.4 | 71.5 | 74.8 | – | – | 71.6 | 70.3 | – |
| Pre-tax income margin | 25.8 | 28.1 | 24.9 | – | – | 27.9 | 29.4 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [2] | 268,668 | 259,612 | 236,044 | 3 | 14 | 268,668 | 236,044 | 14 |
| Total assets | 916,536 | 849,471 | 838,441 | 8 | 9 | 916,536 | 838,441 | 9 |
| Swiss leverage exposure | 1,162,670 | 1,071,309 | 1,076,023 | 9 | 8 | 1,162,670 | 1,076,023 | 8 |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Core Results reporting by region

| | | | in | | % change | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Switzerland | 1,659 | 1,669 | 1,839 | (1) | (10) | 5,040 | 5,489 | (8) |
| EMEA | 1,440 | 1,540 | 1,303 | (6) | 11 | 4,453 | 4,955 | (10) |
| Americas | 2,340 | 2,458 | 2,129 | (5) | 10 | 7,422 | 7,110 | 4 |
| Asia Pacific | 989 | 721 | 597 | 37 | 66 | 2,557 | 2,356 | 9 |
| Corporate Center | 109 | 45 | (419) | 142 | – | (33) | (613) | (95) |
| **Net revenues** | **6,537** | **6,433** | **5,449** | 2 | 20 | **19,439** | **19,297** | 1 |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | | | | |
| Switzerland | 585 | 565 | 673 | 4 | (13) | 1,756 | 1,929 | (9) |
| EMEA | 181 | 228 | 38 | (21) | 376 | 520 | 815 | (36) |
| Americas | 363 | (951) | 468 | – | (22) | 260 | 1,710 | (85) |
| Asia Pacific | 330 | 161 | 68 | 105 | 385 | 765 | 645 | 19 |
| Corporate Center | (158) | (373) | (559) | (58) | (72) | (970) | (1,066) | (9) |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | – | 89 | **2,331** | **4,033** | (42) |

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **250** | **124** | **(244)** | 102 | – | **313** | **(154)** | – |
| **Provision for credit losses** | **6** | **(7)** | **21** | – | (71) | **15** | **55** | (73) |
| Compensation and benefits | 111 | 250 | 167 | (56) | (34) | 556 | 572 | (3) |
| Total other operating expenses | 454 | 2,026 | 296 | (78) | 53 | 2,752 | 898 | 206 |
| **Total operating expenses** | **565** | **2,276** | **463** | (75) | 22 | **3,308** | **1,470** | 125 |
| **Loss from continuing operations before taxes** | **(321)** | **(2,145)** | **(728)** | (85) | (56) | **(3,010)** | **(1,679)** | 79 |
| Income tax benefit | (125) | (166) | (45) | (25) | 178 | (275) | (321) | (14) |
| **Loss from continuing operations** | **(196)** | **(1,979)** | **(683)** | (90) | (71) | **(2,735)** | **(1,358)** | 101 |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Loss attributable to shareholders** | **(90)** | **(1,988)** | **(533)** | (95) | (83) | **(2,623)** | **(1,211)** | 117 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 17,652 | 19,557 | 25,012 | (10) | (29) | 17,652 | 25,012 | (29) |
| Total assets | 36,539 | 40,808 | 52,628 | (10) | (31) | 36,539 | 52,628 | (31) |
| Swiss leverage exposure | 76,834 | 84,725 | 107,525 | (9) | (29) | 76,834 | 107,525 | (29) |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized 6M11 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the expected future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the creation of the integrated Private Banking & Wealth Management division, exiting a number of small non-strategic markets, repositioning select non-profitable onshore operations, rationalization of front office and support functions, including simplification of our operating platform, streamlining of the offshore affluent and Swiss client coverage model and from announced divestitures. Within Investment Banking, we expect to deliver cost benefits from the restructuring of our rates business, the initiatives already completed in 2012, from continuing to review and realize efficiencies across business lines and geographic regions and from continuing to refine our business mix and align resources with highest returning opportunities. We expect to incur approximately CHF 0.8 billion of costs associated with these measures during the remainder of 2014 and 2015.

We incurred CHF 93 million of business realignment costs and CHF 69 million of IT architecture simplification expenses associated with these measures in 3Q14.

▸ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

### Key performance indicators

Our key performance indicators (KPIs) for the Group and for our Private Banking & Wealth Management and Investment Banking divisions reflect our strategic plan, the regulatory environment and the market cycle. Our stated KPIs are measured on the basis of reported results.

We believe the execution of our strategic initiatives including the run-off of non-strategic operations, will enable us achieve our targets over a three to five year period across market cycles.

▸ Refer to "Key performance indicators" in Private Banking & Wealth Management and Investment Banking results for further information on divisional KPIs.

### Collaboration revenues

Collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction. Within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand.

▸ Refer to "Key performance indicators" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information on key performance indicators including collaboration revenues.

## Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. As such, year to date results may be more meaningful than individual quarterly results. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

| in / end of | Target | 3Q14 | 9M14 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Collaboration revenues | 18 – 20% of net revenues | 17.6 | 16.3 | 17.7 | 18.6 |
| **Efficiency and performance (%)** | | | | | |
| Total shareholder return (Credit Suisse) [1] | Superior return vs. peer group | 4.4 | (0.4) | 26.0 | 4.8 |
| Total shareholder return of peer group [1, 2] | – | 5.9 | (2.0) | 34.3 | 52.8 |
| Return on equity attributable to shareholders (annualized) | Above 15% | 9.7 | 3.7 | 5.7 | 3.9 |
| Core Results cost/income ratio | Below 70% | 79.2 | 87.4 | 85.4 | 91.1 |
| **Capital (%)** | | | | | |
| Look-through CET1 ratio [3] | 11% | 9.8 | 9.8 | 10.0 | – |

1 Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the period.
2 The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.
3 Updated in 1Q14 from a previous target of a Look-through Swiss Core Capital ratio above 10%.

### Personnel

Headcount at the end of 3Q14 was 45,500, up 400 from 2Q14 and down 900 from 3Q13. The increase in 3Q14 reflected seasonal graduate hiring and contractor employee conversion, partially offset by a decrease in headcount resulting from our cost efficiency initiatives. The decrease from 3Q13 primarily reflected a headcount decrease in Investment Banking due to our cost efficiency initiatives.

## Number of employees by division

| end of | 3Q14 | 2Q14 | 3Q13 |
|---|---|---|---|
| **Number of employees by division (full-time equivalents)** | | | |
| Private Banking & Wealth Management | 26,000 | 25,800 | 26,100 |
| Investment Banking | 19,200 | 19,000 | 20,000 |
| Corporate Center | 300 | 300 | 300 |
| **Number of employees** | **45,500** | **45,100** | **46,400** |

## Overview of Core Results

| in / end of period | Private Banking & Wealth Management 3Q14 | 2Q14 | 3Q13 | Investment Banking 3Q14 | 2Q14 | 3Q13 |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **3,125** | **3,046** | **3,316** | **3,303** | **3,342** | **2,552** |
| **Provision for credit losses** | **25** | **23** | **34** | **36** | **(5)** | **7** |
| Compensation and benefits | 1,194 | 1,235 | 1,285 | 1,450 | 1,499 | 1,129 |
| General and administrative expenses | 795 | 2,367 | 787 | 1,076 | 889 | 961 |
| Commission expenses | 168 | 170 | 192 | 225 | 207 | 226 |
| Total other operating expenses | 963 | 2,537 | 979 | 1,301 | 1,096 | 1,187 |
| **Total operating expenses** | **2,157** | **3,772** | **2,264** | **2,751** | **2,595** | **2,316** |
| **Income/(loss) from continuing operations before taxes** | **943** | **(749)** | **1,018** | **516** | **752** | **229** |
| Income tax expense/(benefit) | – | – | – | – | – | – |
| **Income/(loss) from continuing operations** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income/(loss) from discontinued operations | – | – | – | – | – | – |
| **Net income/(loss)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Net income attributable to noncontrolling interests | – | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on regulatory capital [2] | 27.3 | – | 31.8 | 8.3 | 12.3 | 3.6 |
| Cost/income ratio | 69.0 | 123.8 | 68.3 | 83.3 | 77.6 | 90.8 |
| Pre-tax income margin | 30.2 | (24.6) | 30.7 | 15.6 | 22.5 | 9.0 |
| Effective tax rate | – | – | – | – | – | – |
| Net income margin | – | – | – | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III [3] | 106,726 | 103,537 | 93,698 | 163,356 | 160,199 | 151,374 |
| Total assets | 342,032 | 322,669 | 313,459 | 565,084 | 525,101 | 545,986 |
| Swiss leverage exposure | 376,515 | 356,738 | 345,889 | 817,936 | 756,621 | 801,173 |
| Net loans | 233,002 | 225,243 | 214,095 | 32,215 | 29,264 | 31,115 |
| Goodwill | 2,269 | 2,163 | 2,201 | 6,166 | 5,820 | 5,913 |

[1] Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI.
[2] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14 and 3Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[3] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component.

The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

▸ Refer to "Compensation and benefits" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

| Corporate Center | | | Core Results [1] | | | of which strategic results | | | of which non-strategic results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| | | | | | | | | | | | |
| **109** | **45** | **(419)** | **6,537** | **6,433** | **5,449** | **6,287** | **6,309** | **5,693** | **250** | **124** | **(244)** |
| **(2)** | **0** | **0** | **59** | **18** | **41** | **53** | **25** | **20** | **6** | **(7)** | **21** |
| 102 | 235 | 115 | 2,746 | 2,969 | 2,529 | 2,635 | 2,719 | 2,362 | 111 | 250 | 167 |
| 167 | 183 | 21 | 2,038 | 3,439 | 1,769 | 1,599 | 1,428 | 1,486 | 439 | 2,011 | 283 |
| 0 | 0 | 4 | 393 | 377 | 422 | 378 | 362 | 409 | 15 | 15 | 13 |
| 167 | 183 | 25 | 2,431 | 3,816 | 2,191 | 1,977 | 1,790 | 1,895 | 454 | 2,026 | 296 |
| **269** | **418** | **140** | **5,177** | **6,785** | **4,720** | **4,612** | **4,509** | **4,257** | **565** | **2,276** | **463** |
| **(158)** | **(373)** | **(559)** | **1,301** | **(370)** | **688** | **1,622** | **1,775** | **1,416** | **(321)** | **(2,145)** | **(728)** |
| – | – | – | 366 | 307 | 368 | 491 | 473 | 413 | (125) | (166) | (45) |
| **–** | **–** | **–** | **935** | **(677)** | **320** | **1,131** | **1,302** | **1,003** | **(196)** | **(1,979)** | **(683)** |
| – | – | – | 106 | (9) | 150 | 0 | 0 | 0 | 106 | (9) | 150 |
| **–** | **–** | **–** | **1,041** | **(686)** | **470** | **1,131** | **1,302** | **1,003** | **(90)** | **(1,988)** | **(533)** |
| – | – | – | 16 | 14 | 16 | 16 | 14 | 16 | 0 | 0 | 0 |
| **–** | **–** | **–** | **1,025** | **(700)** | **454** | **1,115** | **1,288** | **987** | **(90)** | **(1,988)** | **(533)** |
| | | | | | | | | | | | |
| – | – | – | 12.8 | – | 6.8 | 17.1 | 19.4 | 15.5 | – | – | – |
| – | – | – | 79.2 | 105.5 | 86.6 | 73.4 | 71.5 | 74.8 | – | – | – |
| – | – | – | 19.9 | (5.8) | 12.6 | 25.8 | 28.1 | 24.9 | – | – | – |
| – | – | – | 28.1 | (83.0) | 53.5 | 30.3 | 26.6 | 29.2 | – | – | – |
| – | – | – | 15.7 | (10.9) | 8.3 | 17.7 | 20.4 | 17.3 | – | – | – |
| | | | | | | | | | | | |
| 16,238 | 15,433 | 15,984 | 286,320 | 279,169 | 261,056 | 268,668 | 259,612 | 236,044 | 17,652 | 19,557 | 25,012 |
| 45,959 | 42,509 | 31,624 | 953,075 | 890,279 | 891,069 | 916,536 | 849,471 | 838,441 | 36,539 | 40,808 | 52,628 |
| 45,053 | 42,675 | 36,486 | 1,239,504 | 1,156,034 | 1,183,548 | 1,162,670 | 1,071,309 | 1,076,023 | 76,834 | 84,725 | 107,525 |
| 26 | 25 | 22 | 265,243 | 254,532 | 245,232 | – | – | – | – | – | – |
| – | – | – | 8,435 | 7,983 | 8,114 | – | – | – | – | – | – |

# Private Banking & Wealth Management

In 3Q14, we reported income before taxes of CHF 943 million and net revenues of CHF 3,125 million.

In our strategic businesses, we reported income before taxes of CHF 872 million and net revenues of CHF 2,939 million. Compared to 3Q13, income before taxes increased 8%, mainly driven by lower operating expenses reflecting continued cost efficiency gains. Net revenues were stable compared to 3Q13 as higher transaction- and performance-based revenues and improved other revenues were offset by lower net interest income. Compared to 2Q14, income before taxes was stable reflecting stable net revenues and stable operating expenses.

In our non-strategic businesses, we reported income before taxes of CHF 71 million which included a CHF 109 million gain on the sale of our domestic private banking business booked in Germany.

In 3Q14, assets under management for the division were CHF 1,366.1 billion and we attracted net new assets of CHF 7.4 billion.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,125** | **3,046** | **3,316** | 3 | (6) | **9,411** | **10,013** | (6) |
| of which strategic results | 2,939 | 2,932 | 2,934 | 0 | 0 | 8,902 | 9,174 | (3) |
| of which non-strategic results | 186 | 114 | 382 | 63 | (51) | 509 | 839 | (39) |
| **Provision for credit losses** | **25** | **23** | **34** | 9 | (26) | **81** | **108** | (25) |
| Compensation and benefits | 1,194 | 1,235 | 1,285 | (3) | (7) | 3,719 | 4,017 | (7) |
| General and administrative expenses | 795 | 2,367 | 787 | (66) | 1 | 3,898 | 2,471 | 58 |
| Commission expenses | 168 | 170 | 192 | (1) | (13) | 507 | 601 | (16) |
| Total other operating expenses | 963 | 2,537 | 979 | (62) | (2) | 4,405 | 3,072 | 43 |
| **Total operating expenses** | **2,157** | **3,772** | **2,264** | (43) | (5) | **8,124** | **7,089** | 15 |
| of which strategic results | 2,041 | 2,020 | 2,113 | 1 | (3) | 6,110 | 6,540 | (7) |
| of which non-strategic results | 116 | 1,752 | 151 | (93) | (23) | 2,014 | 549 | 267 |
| **Income/(loss) before taxes** | **943** | **(749)** | **1,018** | – | (7) | **1,206** | **2,816** | (57) |
| of which strategic results | 872 | 882 | 808 | (1) | 8 | 2,719 | 2,579 | 5 |
| of which non-strategic results | 71 | (1,631) | 210 | – | (66) | (1,513) | 237 | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 27.3 | – | 31.8 | – | – | 12.0 | 29.7 | – |
| Cost/income ratio | 69.0 | 123.8 | 68.3 | – | – | 86.3 | 70.8 | – |
| Pre-tax income margin | 30.2 | (24.6) | 30.7 | – | – | 12.8 | 28.1 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 9,520 | 9,371 | 9,768 | 2 | (3) | 9,482 | 9,880 | (4) |
| Pre-tax return on average utilized economic capital (%) [2] | 40.1 | (31.5) | 42.3 | – | – | 17.5 | 38.6 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,366.1 | 1,329.7 | 1,268.2 | 2.7 | 7.7 | 1,366.1 | 1,268.2 | 7.7 |
| Net new assets | 7.4 | 10.1 | 8.1 | (26.7) | (8.6) | 31.2 | 27.7 | 12.6 |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 26,000 | 25,800 | 26,100 | 1 | 0 | 26,000 | 26,100 | – |
| Number of relationship managers | 4,270 | 4,340 | 4,340 | (2) | (2) | 4,270 | 4,340 | (2) |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

2 Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | 3Q14 | 2Q14 | 3Q13 | QoQ | YoY | 9M14 | 9M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 980 | 970 | 1,070 | 1 | (8) | 2,929 | 3,194 | (8) |
| Recurring commissions and fees | 1,191 | 1,184 | 1,235 | 1 | (4) | 3,564 | 3,724 | (4) |
| Transaction- and performance-based revenues | 846 | 885 | 798 | (4) | 6 | 2,668 | 2,781 | (4) |
| Other revenues [1] | 108 | 7 | 213 | – | (49) | 250 | 314 | (20) |
| **Net revenues** | **3,125** | **3,046** | **3,316** | 3 | (6) | **9,411** | **10,013** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 43 | 59 | 65 | (27) | (34) | 155 | 205 | (24) |
| Releases of provisions | (18) | (36) | (31) | (50) | (42) | (74) | (97) | (24) |
| **Provision for credit losses** | **25** | **23** | **34** | 9 | (26) | **81** | **108** | (25) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Net loans | 233,002 | 225,243 | 214,095 | 3 | 9 | 233,002 | 214,095 | 9 |
| of which Wealth Management Clients | 164,147 | 156,794 | 149,667 | 5 | 10 | 164,147 | 149,667 | 10 |
| of which Corporate & Institutional Clients | 66,791 | 65,020 | 60,780 | 3 | 10 | 66,791 | 60,780 | 10 |
| Deposits | 298,044 | 285,541 | 290,042 | 4 | 3 | 298,044 | 290,042 | 3 |
| of which Wealth Management Clients | 217,221 | 207,667 | 212,003 | 5 | 2 | 217,221 | 212,003 | 2 |
| of which Corporate & Institutional Clients | 76,916 | 72,554 | 71,631 | 6 | 7 | 76,916 | 71,631 | 7 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

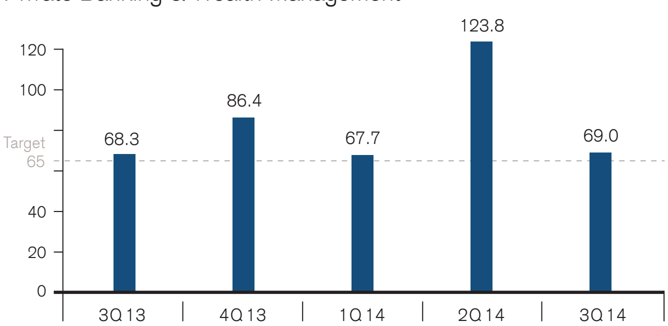
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 3Q14, the cost/income ratio was 69.0%. The cost/income ratio for our strategic results was 69.4% in 3Q14, down three percentage points compared to 3Q13 and up one percentage point compared to 2Q14.

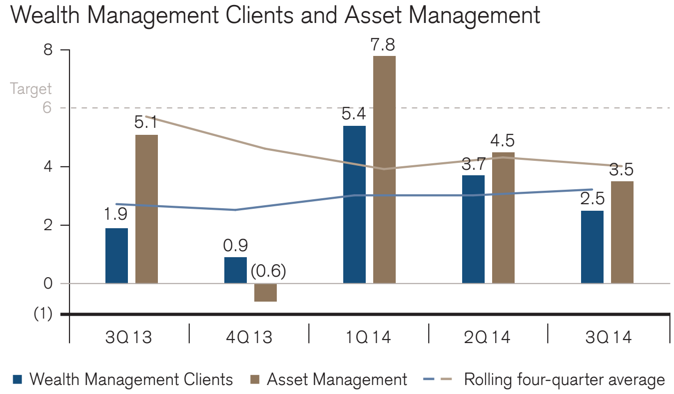
We also target net new assets growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 3Q14, the annualized quarterly growth rates in Wealth Management Clients and Asset Management were 2.5% and 3.5%, respectively.

▸ Refer to “Key performance indicators” in Core Results for further information.

**Cost/income ratio – KPI** (in %)
Private Banking & Wealth Management




**Net new assets growth rate – KPI** (annualized, in %)
Wealth Management Clients and Asset Management



## Strategic and non-strategic results

| | | Strategic results | | | Non-strategic results | | | Private Banking & Wealth Management | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,939** | **2,932** | **2,934** | **186** | **114** | **382** | **3,125** | **3,046** | **3,316** |
| **Provision for credit losses** | **26** | **30** | **13** | **(1)** | **(7)** | **21** | **25** | **23** | **34** |
| Compensation and benefits | 1,150 | 1,184 | 1,205 | 44 | 51 | 80 | 1,194 | 1,235 | 1,285 |
| Total other operating expenses | 891 | 836 | 908 | 72 | 1,701 | 71 | 963 | 2,537 | 979 |
| **Total operating expenses** | **2,041** | **2,020** | **2,113** | **116** | **1,752** | **151** | **2,157** | **3,772** | **2,264** |
| **Income/(loss) before taxes** | **872** | **882** | **808** | **71** | **(1,631)** | **210** | **943** | **(749)** | **1,018** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 100,114 | 96,805 | 87,229 | 6,612 | 6,732 | 6,469 | 106,726 | 103,537 | 93,698 |
| Total assets | 328,636 | 306,919 | 291,262 | 13,396 | 15,750 | 22,197 | 342,032 | 322,669 | 313,459 |
| Swiss leverage exposure | 362,285 | 340,047 | 322,793 | 14,230 | 16,691 | 23,096 | 376,515 | 356,738 | 345,889 |

# Strategic results

### OVERVIEW

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

In 3Q14, our strategic businesses reported income before taxes of CHF 872 million and net revenues of CHF 2,939 million.

Compared to 3Q13, net revenues were stable with higher transaction- and performance-based revenues and improved other revenues offset by lower net interest income. Net revenues benefitted from the appreciation of the US dollar and were stable compared to 2Q14 with improved other revenues offset by lower transaction- and performance-based revenues. Provision for credit losses was CHF 26 million on a net loan portfolio of CHF 231 billion. Total operating expenses were 3% lower compared to 3Q13 and stable compared to 2Q14.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 968 | 954 | 1,044 | 1 | (7) | 2,885 | 3,117 | (7) |
| Recurring commissions and fees | 1,149 | 1,136 | 1,149 | 1 | 0 | 3,424 | 3,405 | 1 |
| Transaction- and performance-based revenues | 827 | 865 | 774 | (4) | 7 | 2,611 | 2,681 | (3) |
| Other revenues | (5) | (23) | (33) | (78) | (85) | (18) | (29) | (38) |
| **Net revenues** | **2,939** | **2,932** | **2,934** | 0 | 0 | **8,902** | **9,174** | (3) |
| New provisions | 43 | 49 | 44 | (12) | (2) | 128 | 152 | (16) |
| Releases of provisions | (17) | (19) | (31) | (11) | (45) | (55) | (97) | (43) |
| **Provision for credit losses** | **26** | **30** | **13** | (13) | 100 | **73** | **55** | 33 |
| Compensation and benefits | 1,150 | 1,184 | 1,205 | (3) | (5) | 3,559 | 3,785 | (6) |
| General and administrative expenses | 731 | 672 | 726 | 9 | 1 | 2,063 | 2,188 | (6) |
| Commission expenses | 160 | 164 | 182 | (2) | (12) | 488 | 567 | (14) |
| Total other operating expenses | 891 | 836 | 908 | 7 | (2) | 2,551 | 2,755 | (7) |
| **Total operating expenses** | **2,041** | **2,020** | **2,113** | 1 | (3) | **6,110** | **6,540** | (7) |
| **Income before taxes** | **872** | **882** | **808** | (1) | 8 | **2,719** | **2,579** | 5 |
| of which Wealth Management Clients | 536 | 569 | 509 | (6) | 5 | 1,683 | 1,584 | 6 |
| of which Corporate & Institutional Clients | 240 | 211 | 251 | 14 | (4) | 697 | 752 | (7) |
| of which Asset Management | 96 | 102 | 48 | (6) | 100 | 339 | 243 | 40 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 26.7 | 28.0 | 27.2 | – | – | 28.7 | 29.3 | – |
| Cost/income ratio | 69.4 | 68.9 | 72.0 | – | – | 68.6 | 71.3 | – |
| Pre-tax income margin | 29.7 | 30.1 | 27.5 | – | – | 30.5 | 28.1 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 100,114 | 96,805 | 87,229 | 3 | 15 | 100,114 | 87,229 | 15 |
| Total assets | 328,636 | 306,919 | 291,262 | 7 | 13 | 328,636 | 291,262 | 13 |
| Swiss leverage exposure | 362,285 | 340,047 | 322,793 | 7 | 12 | 362,285 | 322,793 | 12 |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 29% in 9M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

### RESULTS DETAIL

The following provides a comparison of our 3Q14 strategic results versus 3Q13 (YoY) and versus 2Q14 (QoQ).

#### Net revenues

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

**YoY: Stable at CHF 2,939 million**

Net revenues were stable with higher transaction- and performance-based revenues and improved other revenues offset by lower net interest income. Transaction- and performance-based revenues were higher reflecting higher brokerage and product issuing fees, significantly higher corporate advisory fees and a gain related to a more capital-efficient positioning of our liquidity portfolio, partially offset by lower foreign exchange client business and significantly lower performance fees and carried interest. Other revenues improved due to an equity participations impairment in 3Q13 and higher investment-related gains in 3Q14. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins on slightly higher average deposit volumes partially offset by stable loan margins on higher average loan volumes. Recurring commissions and fees were stable with higher discretionary mandate management fees, slightly higher investment account and services fees and slightly higher asset management fees offset by lower banking services fees and lower investment product management fees.

**QoQ: Stable at CHF 2,939 million**

Net revenues were stable with improved other revenues offset by lower transaction- and performance-based revenues. Improved other revenues mainly reflected a higher fair value loss on the

Clock Finance transaction in 2Q14. The decrease in transaction- and performance-based revenues reflected significantly lower performance fees and carried interest, seasonally lower brokerage and product issuing fees and lower sales and trading income, partially offset by higher corporate advisory fees. Recurring commissions and fees were stable with higher investment product management fees offset by slightly lower asset management and banking services fees. Net interest income was stable with slightly higher loan margins on slightly higher average loan volumes offset by lower deposit margins on stable average deposit volumes. Revenues in 3Q14, mainly in Wealth Management Clients, benefitted from the appreciation of the US dollar.

### Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

**YoY: Up 100% from CHF 13 million to CHF 26 million**

Wealth Management Clients recorded net provisions of CHF 17 million and Corporate & Institutional Clients recorded net provisions of CHF 9 million in 3Q14. The increase mainly reflected Corporate & Institutional Clients' net provisions in 3Q14 compared to net releases in 3Q13.

**QoQ: Down 13% from CHF 30 million to CHF 26 million**

Provision for credit losses was stable in Wealth Management Clients and lower in Corporate & Institutional Clients. In 2Q14, Wealth Management Clients recorded net provisions of CHF 17 million while Corporate & Institutional Clients recorded net provisions of CHF 13 million.

### Operating expenses

#### Compensation and benefits

**YoY: Down 5% from CHF 1,205 million to CHF 1,150 million**

Lower compensation and benefits mainly reflected lower salary expenses, driven by lower headcount.

**QoQ: Down 3% from CHF 1,184 million to CHF 1,150 million**

Slightly lower compensation and benefits reflected lower social security costs and lower discretionary compensation expenses.

#### General and administrative expenses

**YoY: Stable at CHF 731 million**

General and administrative expenses were stable with higher litigation provisions offset by lower infrastructure and occupancy expenses.

**QoQ: Up 9% from CHF 672 million to CHF 731 million**

Higher general and administrative expenses reflected higher litigation provisions partially offset by lower professional services fees and lower travel and entertainment expenses.

## WEALTH MANAGEMENT CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 9% from CHF 766 million to CHF 695 million**

Lower net interest income reflected the low interest rate environment, significantly lower deposit margins on stable average deposit volumes, slightly lower loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding.

**QoQ: Stable at CHF 695 million**

Net interest income was stable with slightly higher loan margins on slightly higher average loan volumes, offset by lower deposit margins on stable average deposit volumes.

#### Recurring commissions and fees

**YoY: Stable at CHF 744 million**

Recurring commissions and fees were stable with higher discretionary mandate management fees and slightly higher investment account and services fees offset by lower banking services fees and lower investment product management fees.

**QoQ: Up 2% from CHF 728 million to CHF 744 million**

Recurring commissions and fees were slightly higher with higher investment product management fees, higher discretionary mandate management fees and slightly higher investment account and services fees partially offset by slightly lower banking services fees.

#### Transaction- and performance-based revenues

**YoY: Up 10% from CHF 549 million to CHF 603 million**

Higher transaction- and performance-based revenues reflected higher brokerage and product issuing fees, significantly higher corporate advisory fees arising from integrated solutions revenues and a gain related to a more capital-efficient positioning of our liquidity portfolio, partially offset by lower foreign exchange client business.

**QoQ: Stable at CHF 603 million**

Transaction- and performance-based revenues were stable reflecting significantly higher corporate advisory fees and the gain related to a more capital-efficient positioning of our liquidity portfolio offset by seasonally lower brokerage and product issuing fees and lower sales and trading income.

## Results – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,042** | **2,017** | **2,062** | 1 | (1) | **6,133** | **6,388** | (4) |
| **Provision for credit losses** | **17** | **17** | **21** | 0 | (19) | **50** | **60** | (17) |
| **Total operating expenses** | **1,489** | **1,431** | **1,532** | 4 | (3) | **4,400** | **4,744** | (7) |
| **Income before taxes** | **536** | **569** | **509** | (6) | 5 | **1,683** | **1,584** | 6 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.9 | 70.9 | 74.3 | – | – | 71.7 | 74.3 | – |
| Pre-tax income margin | 26.2 | 28.2 | 24.7 | – | – | 27.4 | 24.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 695 | 688 | 766 | 1 | (9) | 2,089 | 2,290 | (9) |
| Recurring commissions and fees | 744 | 728 | 747 | 2 | 0 | 2,202 | 2,214 | (1) |
| Transaction- and performance-based revenues | 603 | 601 | 549 | 0 | 10 | 1,842 | 1,884 | (2) |
| **Net revenues** | **2,042** | **2,017** | **2,062** | 1 | (1) | **6,133** | **6,388** | (4) |
| **Gross and net margin (annualized) (bp)** | | | | | | | | |
| Net interest income | 33 | 34 | 39 | – | – | 34 | 39 | – |
| Recurring commissions and fees | 35 | 36 | 38 | – | – | 36 | 37 | – |
| Transaction- and performance-based revenues | 29 | 29 | 28 | – | – | 30 | 32 | – |
| **Gross margin** [1] | **97** | **99** | **105** | – | – | **100** | **108** | – |
| **Net margin** [2] | **25** | **28** | **26** | – | – | **27** | **27** | – |
| **Number of relationship managers** | | | | | | | | |
| Switzerland | 1,670 | 1,680 | 1,580 | (1) | 6 | 1,670 | 1,580 | 6 |
| EMEA | 1,050 | 1,110 | 1,180 | (5) | (11) | 1,050 | 1,180 | (11) |
| Americas | 550 | 540 | 590 | 2 | (7) | 550 | 590 | (7) |
| Asia Pacific | 480 | 470 | 430 | 2 | 12 | 480 | 430 | 12 |
| **Number of relationship managers** | **3,750** | **3,800** | **3,780** | **(1)** | **(1)** | **3,750** | **3,780** | **(1)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

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

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

### Gross margin

Our gross margin was 97 basis points in 3Q14, eight basis points lower compared to 3Q13, mainly reflecting the continued adverse interest rate environment and an 8.1% increase in average assets under management. Compared to 2Q14, our gross margin was down two basis points due to a 3.3% increase in average assets under management driven by the appreciation of the US dollar.

### Net margin

Our net margin was 25 basis points in 3Q14, one basis point lower compared to 3Q13, with lower net interest income partially offset by higher transaction- and performance-based revenues and slightly lower operating expenses. Compared to 2Q14, our net margin was three basis points lower, driven by higher litigation provisions.

## Assets under management – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Assets under management by region (CHF billion)** | | | | | | | | |
| Switzerland | 287.8 | 284.9 | 268.6 | 1.0 | 7.1 | 287.8 | 268.6 | 7.1 |
| EMEA | 241.8 | 233.4 | 231.0 | 3.6 | 4.7 | 241.8 | 231.0 | 4.7 |
| Americas | 191.8 | 182.7 | 171.0 | 5.0 | 12.2 | 191.8 | 171.0 | 12.2 |
| Asia Pacific | 142.9 | 128.7 | 112.3 | 11.0 | 27.2 | 142.9 | 112.3 | 27.2 |
| **Assets under management** | **864.3** | **829.7** | **782.9** | 4.2 | 10.4 | **864.3** | **782.9** | 10.4 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 846.1 | 818.7 | 782.5 | 3.3 | 8.1 | 820.7 | 786.5 | 4.3 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 348.3 | 321.2 | 301.6 | 8.4 | 15.5 | 348.3 | 301.6 | 15.5 |
| EUR | 155.6 | 156.4 | 151.3 | (0.5) | 2.8 | 155.6 | 151.3 | 2.8 |
| CHF | 194.1 | 194.2 | 187.1 | (0.1) | 3.7 | 194.1 | 187.1 | 3.7 |
| Other | 166.3 | 157.9 | 142.9 | 5.3 | 16.4 | 166.3 | 142.9 | 16.4 |
| **Assets under management** | **864.3** | **829.7** | **782.9** | 4.2 | 10.4 | **864.3** | **782.9** | 10.4 |
| **Net new assets by region (CHF billion)** | | | | | | | | |
| Switzerland | (1.5) | 1.9 | (0.7) | – | 114.3 | 5.0 | 2.3 | 117.4 |
| EMEA | 0.8 | (0.2) | (0.8) | – | – | 0.2 | 2.5 | (92.0) |
| Americas | (0.4) | 0.8 | 2.0 | – | – | 1.9 | 3.6 | (47.2) |
| Asia Pacific | 6.2 | 4.9 | 3.3 | 26.5 | 87.9 | 16.0 | 8.8 | 81.8 |
| **Net new assets** | **5.1** | **7.4** | **3.8** | (31.1) | 34.2 | **23.1** | **17.2** | 34.3 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 5.1 | 7.4 | 3.8 | – | – | 23.1 | 17.2 | – |
| Other effects | 29.5 | 17.4 | (3.2) | – | – | 50.5 | 7.7 | – |
| of which market movements | 1.3 | 15.6 | 19.3 | – | – | 22.6 | 24.7 | – |
| of which currency | 27.0 | 2.8 | (18.4) | – | – | 28.2 | (8.7) | – |
| of which other | 1.2 | (1.0) | (4.1) | – | – | (0.3) | (8.3) | – |
| **Growth in assets under management** | **34.6** | **24.8** | **0.6** | – | – | **73.6** | **24.9** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 2.5 | 3.7 | 1.9 | – | – | 3.9 | 3.0 | – |
| Other effects | 14.2 | 8.6 | (1.6) | – | – | 8.5 | 1.4 | – |
| **Growth in assets under management (annualized)** | **16.7** | **12.3** | **0.3** | – | – | **12.4** | **4.4** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 3.2 | 3.0 | 2.7 | – | – | – | – | – |
| Other effects | 7.2 | 3.1 | 0.1 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **10.4** | **6.1** | **2.8** | – | – | – | – | – |

## CORPORATE & INSTITUTIONAL CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 2% from CHF 278 million to CHF 273 million**

The slight decrease reflected the low interest rate environment, lower levels of deposits eligible as stable funding and significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes.

**QoQ: Up 3% from CHF 266 million to CHF 273 million**

Slightly higher net interest income reflected higher loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on stable average deposit volumes.

#### Recurring commissions and fees

**YoY: Down 3% from CHF 117 million to CHF 113 million**

Recurring commissions and fees decreased slightly with no significant movements across major categories.

**QoQ: Stable at CHF 113 million**

Recurring commissions and fees were stable reflecting higher investment product management fees and higher banking services fees, offset by lower discretionary mandate management fees.

#### Transaction- and performance-based revenues

**YoY: Up 2% from CHF 105 million to CHF 107 million**

Slightly higher transaction- and performance-based revenues reflected significantly higher corporate advisory fees.

**QoQ: Down 9% from CHF 118 million to CHF 107 million**

Lower transaction- and performance-based revenues mainly reflected lower sales and trading income.

### Results – Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **488** | **475** | **499** | 3 | (2) | **1,455** | **1,511** | (4) |
| **Provision for credit losses** | **9** | **13** | **(8)** | (31) | – | **23** | **(5)** | – |
| **Total operating expenses** | **239** | **251** | **256** | (5) | (7) | **735** | **764** | (4) |
| **Income before taxes** | **240** | **211** | **251** | 14 | (4) | **697** | **752** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 49.0 | 52.8 | 51.3 | – | – | 50.5 | 50.6 | – |
| Pre-tax income margin | 49.2 | 44.4 | 50.3 | – | – | 47.9 | 49.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 273 | 266 | 278 | 3 | (2) | 796 | 827 | (4) |
| Recurring commissions and fees | 113 | 113 | 117 | 0 | (3) | 348 | 343 | 1 |
| Transaction- and performance-based revenues | 107 | 118 | 105 | (9) | 2 | 342 | 353 | (3) |
| Other revenues [1] | (5) | (22) | (1) | (77) | 400 | (31) | (12) | 158 |
| **Net revenues** | **488** | **475** | **499** | 3 | (2) | **1,455** | **1,511** | (4) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 520 | 540 | 560 | (4) | (7) | 520 | 560 | (7) |

[1] Reflects fair value gains/(losses) on the Clock Finance transaction.

# ASSET MANAGEMENT

## Net revenues

### Fee-based revenues

**YoY: Stable at CHF 398 million**

Fee-based revenues were stable with higher equity participations income and slightly higher asset management fees due to higher average assets under management offset by lower performance fees, in particular from credit products.

**QoQ: Down 7% from CHF 428 million to CHF 398 million**

The decrease in fee-based revenues was mainly driven by significantly lower performance fees and significantly lower carried interest on realized private equity gains, partially offset by higher equity participations income and higher transaction fees. Lower performance fees mainly reflected lower fees from credit products and lower fees from single manager hedge funds.

### Investment-related gains/(losses)

**YoY: Up from CHF (2) million to CHF 11 million**

Investment-related gains were higher compared to 3Q13 reflecting gains in hedge fund investments.

**QoQ: Up 83% from CHF 6 million to CHF 11 million**

Investment-related gains were higher in 3Q14 primarily due to gains in hedge fund investments.

### Equity participations and other gains/(losses)

**YoY: Up from CHF (18) million to zero**

In 3Q13, we recognized an impairment of CHF 18 million related to Asset Management Finance LLC.

**QoQ: Down from CHF 3 million to zero**

In 2Q14, we recognized the gain from the sale of an equity stake in a joint venture.

## Results – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **313** | **338** | **325** | (7) | (4) | **975** | **1,032** | (6) |
| **Income before taxes** | **96** | **102** | **48** | (6) | 100 | **339** | **243** | 40 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.5 | 76.8 | 87.1 | – | – | 74.2 | 80.9 | – |
| Pre-tax income margin | 23.5 | 23.2 | 12.9 | – | – | 25.8 | 19.1 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 292 | 295 | 285 | (1) | 2 | 874 | 848 | 3 |
| Transaction- and performance-based revenues | 117 | 146 | 120 | (20) | (3) | 427 | 444 | (4) |
| Other revenues | 0 | (1) | (32) | 100 | 100 | 13 | (17) | – |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 292 | 295 | 285 | (1) | 2 | 874 | 848 | 3 |
| Placement, transaction and other fees | 63 | 59 | 61 | 7 | 3 | 178 | 168 | 6 |
| Performance fees and carried interest | 22 | 59 | 36 | (63) | (39) | 161 | 200 | (20) |
| Equity participations income | 21 | 15 | 12 | 40 | 75 | 51 | 32 | 59 |
| Fee-based revenues | 398 | 428 | 394 | (7) | 1 | 1,264 | 1,248 | 1 |
| Investment-related gains/(losses) | 11 | 6 | (2) | 83 | – | 36 | 33 | 9 |
| Equity participations and other gains/(losses) | 0 | 3 | (18) | (100) | 100 | 3 | (18) | – |
| Other revenues [1] | 0 | 3 | (1) | (100) | 100 | 11 | 12 | (8) |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 42 | 46 | 45 | – | – | 46 | 48 | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Assets under management – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Hedge funds | 34.8 | 33.3 | 28.8 | 4.5 | 20.8 | 34.8 | 28.8 | 20.8 |
| Private equity | 1.2 | 0.7 | 0.4 | 71.4 | 200.0 | 1.2 | 0.4 | 200.0 |
| Real estate & commodities | 52.2 | 51.0 | 49.9 | 2.4 | 4.6 | 52.2 | 49.9 | 4.6 |
| Credit | 36.3 | 33.3 | 28.9 | 9.0 | 25.6 | 36.3 | 28.9 | 25.6 |
| Index strategies | 85.5 | 83.4 | 70.9 | 2.5 | 20.6 | 85.5 | 70.9 | 20.6 |
| Multi-asset class solutions | 110.1 | 107.9 | 106.9 | 2.0 | 3.0 | 110.1 | 106.9 | 3.0 |
| Fixed income & equities | 54.7 | 53.9 | 55.5 | 1.5 | (1.4) | 54.7 | 55.5 | (1.4) |
| Other | 16.3 | 13.6 | 7.7 | 19.9 | 111.7 | 16.3 | 7.7 | 111.7 |
| **Assets under management** | **391.1** | **377.1** | **349.0** | 3.7 | 12.1 | **391.1** | **349.0** | 12.1 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 382.9 | 369.6 | 346.9 | 3.6 | 10.4 | 369.9 | 344.3 | 7.4 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 89.2 | 82.2 | 73.0 | 8.5 | 22.2 | 89.2 | 73.0 | 22.2 |
| EUR | 50.8 | 51.8 | 50.5 | (1.9) | 0.6 | 50.8 | 50.5 | 0.6 |
| CHF | 210.7 | 206.2 | 195.3 | 2.2 | 7.9 | 210.7 | 195.3 | 7.9 |
| Other | 40.4 | 36.9 | 30.2 | 9.5 | 33.8 | 40.4 | 30.2 | 33.8 |
| **Assets under management** | **391.1** | **377.1** | **349.0** | 3.7 | 12.1 | **391.1** | **349.0** | 12.1 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | 3.3 | 4.1 | 4.4 | – | – | 14.3 | 15.5 | – |
| Other effects | 10.7 | 9.6 | (1.5) | – | – | 24.5 | 8.2 | – |
| of which market movements | 4.3 | 7.1 | 3.9 | – | – | 15.6 | 11.2 | – |
| of which currency | 6.8 | 0.8 | (4.7) | – | – | 7.1 | (2.7) | – |
| of which other | (0.4) | 1.7 | (0.7) | – | – | 1.8 | (0.3) | – |
| **Growth in assets under management** | **14.0** | **13.7** | **2.9** | – | – | **38.8** | **23.7** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 3.5 | 4.5 | 5.1 | – | – | 5.4 | 6.4 | – |
| Other effects | 11.4 | 10.6 | (1.7) | – | – | 9.3 | 3.3 | – |
| **Growth in assets under management (annualized)** | **14.9** | **15.1** | **3.4** | – | – | **14.7** | **9.7** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.0 | 4.3 | 5.7 | – | – | – | – | – |
| Other effects | 8.1 | 4.7 | 2.8 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **12.1** | **9.0** | **8.5** | – | – | **–** | **–** | – |
| **Principal investments (CHF billion)** | | | | | | | | |
| Principal investments | 1.4 | 1.0 | 0.9 | 40.0 | 55.6 | 1.4 | 0.9 | 55.6 |

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

# Non-strategic results

## OVERVIEW

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to US cross-border matters, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

In 3Q14, our non-strategic businesses reported income before taxes of CHF 71 million including a CHF 109 million gain on the sale of our domestic private banking business booked in Germany. In 2Q14, our non-strategic businesses reported a loss before taxes of CHF 1,631 million, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters.

### Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **186** | **114** | **382** | 63 | (51) | **509** | **839** | (39) |
| **Provision for credit losses** | **(1)** | **(7)** | **21** | (86) | – | **8** | **53** | (85) |
| Compensation and benefits | 44 | 51 | 80 | (14) | (45) | 160 | 232 | (31) |
| Total other operating expenses | 72 | 1,701 | 71 | (96) | 1 | 1,854 | 317 | 485 |
| **Total operating expenses** | **116** | **1,752** | **151** | (93) | (23) | **2,014** | **549** | 267 |
| **Income/(loss) before taxes** | **71** | **(1,631)** | **210** | – | (66) | **(1,513)** | **237** | – |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 122 | 22 | 25 | 455 | 388 | 166 | 136 | 22 |
| Legacy cross-border business and small markets | 38 | 41 | 49 | (7) | (22) | 123 | 151 | (19) |
| Restructuring of former Asset Management division | 12 | 38 | 288 | (68) | (96) | 184 | 480 | (62) |
| Other | 14 | 13 | 20 | 8 | (30) | 36 | 72 | (50) |
| **Net revenues** | **186** | **114** | **382** | 63 | (51) | **509** | **839** | (39) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 6,612 | 6,732 | 6,469 | (2) | 2 | 6,612 | 6,469 | 2 |
| Total assets | 13,396 | 15,750 | 22,197 | (15) | (40) | 13,396 | 22,197 | (40) |
| Swiss leverage exposure | 14,230 | 16,691 | 23,096 | (15) | (38) | 14,230 | 23,096 | (38) |

## RESULTS DETAIL

The following provides a comparison of our 3Q14 non-strategic results versus 3Q13 (YoY) and versus 2Q14 (QoQ).

### Net revenues

**YoY: Down 51% from CHF 382 million to CHF 186 million**

Net revenues were lower due to the gains on the sales of our ETF and secondary private equity businesses recognized in 3Q13.

**QoQ: Up 63% from CHF 114 million to CHF 186 million**

The increase mainly reflected the CHF 109 million gain from the sale of our domestic private banking business booked in Germany.

### Operating expenses

**YoY: Down 23% from CHF 151 million to CHF 116 million**

Lower operating expenses reflected the reduction in headcount due to the winding down of our non-strategic portfolio.

**QoQ: Down 93% from CHF 1,752 million to CHF 116 million**

Lower operating expenses were driven by the CHF 1,618 million litigation settlement charge relating to the final settlement of all outstanding US cross-border matters recognized in 2Q14.

### Business developments

In 3Q14, we completed the sale of our domestic private banking business booked in Germany to ABN AMRO.

# Assets under management

In 3Q14, assets under management of CHF 1,366.1 billion increased CHF 36.4 billion compared to the end of 2Q14, driven mainly by favorable foreign exchange-related movements resulting from the appreciation of the US dollar, positive market movements and net new assets.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 5.1 billion in 3Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.9 billion in 3Q14. Asset Management reported net new assets of CHF 3.3 billion in 3Q14, driven mainly by inflows in traditional products, including inflows from a joint venture in emerging markets, credit products and private equity investments.

Assets under management in our non-strategic portfolio decreased by CHF 12.5 billion compared to 2Q14, driven by the sale of our domestic private banking business booked in Germany.

## Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 864.3 | 829.7 | 782.9 | 4.2 | 10.4 | 864.3 | 782.9 | 10.4 |
| Corporate & Institutional Clients | 266.6 | 261.4 | 241.1 | 2.0 | 10.6 | 266.6 | 241.1 | 10.6 |
| Asset Management | 391.1 | 377.1 | 349.0 | 3.7 | 12.1 | 391.1 | 349.0 | 12.1 |
| Non-strategic | 13.4 | 25.9 | 48.7 | (48.3) | (72.5) | 13.4 | 48.7 | (72.5) |
| Assets managed across businesses [1] | (169.3) | (164.4) | (153.5) | 3.0 | 10.3 | (169.3) | (153.5) | 10.3 |
| **Assets under management** | **1,366.1** | **1,329.7** | **1,268.2** | 2.7 | 7.7 | **1,366.1** | **1,268.2** | 7.7 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,346.7 | 1,311.6 | 1,275.8 | 2.7 | 5.6 | 1,313.4 | 1,293.4 | 1.5 |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 5.1 | 7.4 | 3.8 | (31.1) | 34.2 | 23.1 | 17.2 | 34.3 |
| Corporate & Institutional Clients | 0.9 | 0.6 | 0.5 | 50.0 | 80.0 | 1.9 | 4.8 | (60.4) |
| Asset Management | 3.3 | 4.1 | 4.4 | (19.5) | (25.0) | 14.3 | 15.5 | (7.7) |
| Non-strategic | (1.4) | (1.7) | (1.2) | (17.6) | 16.7 | (5.4) | (4.9) | 10.2 |
| Assets managed across businesses [1] | (0.5) | (0.3) | 0.6 | 66.7 | – | (2.7) | (4.9) | (44.9) |
| **Net new assets** | **7.4** | **10.1** | **8.1** | (26.7) | (8.6) | **31.2** | **27.7** | 12.6 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

# Investment Banking

In 3Q14, Investment Banking reported income before taxes of CHF 516 million and net revenues of CHF 3,303 million. Investment Banking delivered solid results and profitability, reflecting strong client activity and sustained market shares across most of our businesses. Net revenues in the strategic businesses increased 24% compared to subdued 3Q13 levels, driven by significant client deals across products and regions, particularly in our fixed income business.

Compared to 2Q14, net revenues were stable in our strategic businesses, reflecting resilient operating conditions across many of our businesses. In 3Q14, we made continued progress in winding down the non-strategic unit, reducing Swiss leverage exposure by USD 11 billion to USD 66 billion and Basel III risk-weighted assets by USD 2 billion to USD 12 billion, each compared to 2Q14.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,303** | **3,342** | **2,552** | (1) | 29 | **10,061** | **9,897** | 2 |
| of which strategic results | 3,419 | 3,380 | 2,749 | 1 | 24 | 10,339 | 10,315 | 0 |
| of which non-strategic results | (116) | (38) | (197) | 205 | (41) | (278) | (418) | (33) |
| **Provision for credit losses** | **36** | **(5)** | **7** | – | 414 | **31** | **5** | – |
| Compensation and benefits | 1,450 | 1,499 | 1,129 | (3) | 28 | 4,470 | 4,080 | 10 |
| General and administrative expenses | 1,076 | 889 | 961 | 21 | 12 | 2,821 | 2,810 | 0 |
| Commission expenses | 225 | 207 | 226 | 9 | 0 | 644 | 719 | (10) |
| Total other operating expenses | 1,301 | 1,096 | 1,187 | 19 | 10 | 3,465 | 3,529 | (2) |
| **Total operating expenses** | **2,751** | **2,595** | **2,316** | 6 | 19 | **7,935** | **7,609** | 4 |
| of which strategic results | 2,395 | 2,343 | 2,045 | 2 | 17 | 7,150 | 6,899 | 4 |
| of which non-strategic results | 356 | 252 | 271 | 41 | 31 | 785 | 710 | 11 |
| **Income before taxes** | **516** | **752** | **229** | (31) | 125 | **2,095** | **2,283** | (8) |
| of which strategic results | 995 | 1,042 | 697 | (5) | 43 | 3,165 | 3,413 | (7) |
| of which non-strategic results | (479) | (290) | (468) | 65 | 2 | (1,070) | (1,130) | (5) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 8.3 | 12.3 | 3.6 | – | – | 11.4 | 11.8 | – |
| Cost/income ratio | 83.3 | 77.6 | 90.8 | – | – | 78.9 | 76.9 | – |
| Pre-tax income margin | 15.6 | 22.5 | 9.0 | – | – | 20.8 | 23.1 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 21,121 | 20,233 | 19,206 | 4 | 10 | 20,510 | 19,141 | 7 |
| Pre-tax return on average utilized economic capital (%) [2] | 10.2 | 15.3 | 5.3 | – | – | 14.1 | 16.4 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,200 | 19,000 | 20,000 | 1 | (4) | 19,200 | 20,000 | (4) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 27% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

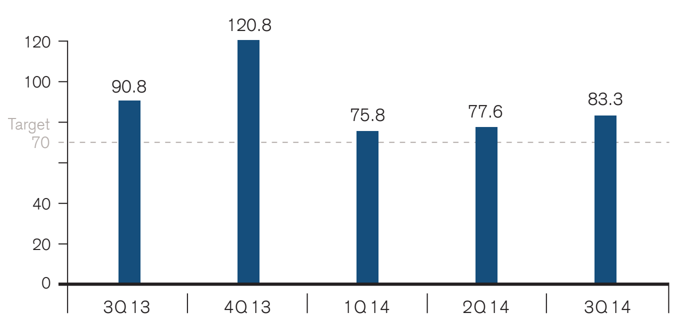
| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 519 | 483 | 424 | 7 | 22 | 1,470 | 1,420 | 4 |
| Equity underwriting | 214 | 268 | 129 | (20) | 66 | 665 | 493 | 35 |
| Total underwriting | 733 | 751 | 553 | (2) | 33 | 2,135 | 1,913 | 12 |
| Advisory and other fees | 170 | 161 | 152 | 6 | 12 | 511 | 464 | 10 |
| **Total underwriting and advisory** | **903** | **912** | **705** | (1) | 28 | **2,646** | **2,377** | 11 |
| Fixed income sales and trading | 1,440 | 1,428 | 833 | 1 | 73 | 4,357 | 4,077 | 7 |
| Equity sales and trading | 1,071 | 1,134 | 1,065 | (6) | 1 | 3,406 | 3,700 | (8) |
| **Total sales and trading** | **2,511** | **2,562** | **1,898** | (2) | 32 | **7,763** | **7,777** | 0 |
| Other | (111) | (132) | (51) | (16) | 118 | (348) | (257) | 35 |
| **Net revenues** | **3,303** | **3,342** | **2,552** | (1) | 29 | **10,061** | **9,897** | 2 |
| **Average one-day, 98% risk management Value-at-Risk (CHF million)** | | | | | | | | |
| Interest rate | 12 | 13 | 14 | (8) | (14) | 12 | 22 | (45) |
| Credit spread | 31 | 30 | 34 | 3 | (9) | 31 | 37 | (16) |
| Foreign exchange | 10 | 9 | 9 | 11 | 11 | 10 | 9 | 11 |
| Commodity | 1 | 2 | 2 | (50) | (50) | 2 | 2 | 0 |
| Equity | 19 | 17 | 15 | 12 | 27 | 18 | 16 | 13 |
| Diversification benefit | (29) | (30) | (33) | (3) | (12) | (31) | (46) | (33) |
| **Average one-day, 98% risk management Value-at-Risk** | **44** | **41** | **41** | 7 | 7 | **42** | **40** | 5 |

### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 83.3% in 3Q14, compared to 77.6% in 2Q14 and 90.8% in 3Q13. The cost/income ratio for our strategic results was 70.0% in 3Q14 compared to 69.3% in 2Q14 and 74.4% in 3Q13.

▸ Refer to “Key performance indicators” in Core Results for further information.

**Cost/income ratio – KPI** (in %)
Investment Banking



## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Investment Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **3,419** | **3,380** | **2,749** | **(116)** | **(38)** | **(197)** | **3,303** | **3,342** | **2,552** |
| **Provision for credit losses** | **29** | **(5)** | **7** | **7** | **0** | **0** | **36** | **(5)** | **7** |
| Compensation and benefits | 1,412 | 1,465 | 1,080 | 38 | 34 | 49 | 1,450 | 1,499 | 1,129 |
| Total other operating expenses | 983 | 878 | 965 | 318 | 218 | 222 | 1,301 | 1,096 | 1,187 |
| **Total operating expenses** | **2,395** | **2,343** | **2,045** | **356** | **252** | **271** | **2,751** | **2,595** | **2,316** |
| **Income/(loss) before taxes** | **995** | **1,042** | **697** | **(479)** | **(290)** | **(468)** | **516** | **752** | **229** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 152,316 | 147,374 | 132,831 | 11,040 | 12,825 | 18,543 | 163,356 | 160,199 | 151,374 |
| Risk-weighted assets – Basel III (USD) | 159,410 | 166,186 | 146,897 | 11,554 | 14,462 | 20,506 | 170,964 | 180,648 | 167,403 |
| Total assets | 541,941 | 500,043 | 515,555 | 23,143 | 25,058 | 30,431 | 565,084 | 525,101 | 545,986 |
| Swiss leverage exposure | 755,332 | 688,587 | 716,744 | 62,604 | 68,034 | 84,429 | 817,936 | 756,621 | 801,173 |
| Swiss leverage exposure (USD) | 790,509 | 776,485 | 792,639 | 65,520 | 76,719 | 93,369 | 856,029 | 853,204 | 886,008 |

# Strategic results

### OVERVIEW

In 3Q14, our strategic businesses reported income before taxes of CHF 995 million and net revenues of CHF 3,419 million.

Fixed income sales and trading revenues were substantially higher compared to 3Q13, driven by higher client activity resulting in significant gains across most products. Revenues were also higher compared to 2Q14, reflecting continued favorable operating conditions across many of the businesses.

Equity sales and trading results were slightly lower compared to both 3Q13 and 2Q14 as weaker performance in systematic market making and cash equities offset strength in derivatives and prime services.

Underwriting and advisory results were strong compared to 3Q13, driven by robust debt and equity underwriting performance and higher advisory revenues. Revenues were flat compared to 2Q14, consistent with a slowdown in industry-wide activity.

Total operating expenses increased 17% compared to 3Q13, primarily driven by higher discretionary compensation expenses. Compared to 2Q14, total operating expenses increased slightly.

During the quarter, we reported Basel III risk-weighted assets of USD 159 billion, a reduction of USD 7 billion compared to 2Q14. This decrease was primarily driven by reductions in our prime services and global macro products franchises. At the end of 3Q14, we reported Swiss leverage exposure of USD 791 billion, an increase of USD 14 billion from 2Q14.

The following provides a comparison of our strategic 3Q14 results versus 3Q13 (YoY) and versus 2Q14 (QoQ). Share of wallet refers to our share of the overall fee pool for the respective products.

### Net revenues

#### Debt underwriting

**YoY: Up 22% from CHF 424 million to CHF 519 million**

We had significantly higher revenues, reflecting strong leveraged finance performance. The increase was partially offset by lower investment grade revenues, as a decline in the overall investment grade fee pool offset an increase in our share of wallet.

**QoQ: Up 7% from CHF 483 million to CHF 519 million**

Results reflected higher revenues from structured lending in emerging markets. The increase was partially offset by lower leveraged finance revenues as a decline in the overall leveraged finance fee pool more than offset an increase in our share of wallet. Investment grade revenues were also lower, reflecting a decline in industry activity.

#### Equity underwriting

**YoY: Up 66% from CHF 129 million to CHF 214 million**

Results reflected significantly higher revenues from IPOs, including the landmark Alibaba transaction. We had significantly higher results from convertibles, reflecting an increase in both our share of wallet and the overall convertibles fee pool. Results also reflected higher revenues from follow-on offerings.

**QoQ: Down 20% from CHF 268 million to CHF 214 million**

We had lower revenues in IPOs and follow-on offerings, consistent with a decline in overall industry volumes following strong 2Q14 activity.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 519 | 483 | 424 | 7 | 22 | 1,470 | 1,419 | 4 |
| Equity underwriting | 214 | 268 | 129 | (20) | 66 | 665 | 492 | 35 |
| Total underwriting | 733 | 751 | 553 | (2) | 33 | 2,135 | 1,911 | 12 |
| Advisory and other fees | 170 | 161 | 152 | 6 | 12 | 511 | 464 | 10 |
| **Total underwriting and advisory** | **903** | **912** | **705** | (1) | 28 | **2,646** | **2,375** | 11 |
| Fixed income sales and trading | 1,551 | 1,470 | 1,031 | 6 | 50 | 4,607 | 4,438 | 4 |
| Equity sales and trading | 1,069 | 1,119 | 1,095 | (4) | (2) | 3,394 | 3,779 | (10) |
| **Total sales and trading** | **2,620** | **2,589** | **2,126** | 1 | 23 | **8,001** | **8,217** | (3) |
| Other | (104) | (121) | (82) | (14) | 27 | (308) | (277) | 11 |
| **Net revenues** | **3,419** | **3,380** | **2,749** | 1 | 24 | **10,339** | **10,315** | 0 |
| **Provision for credit losses** | **29** | **(5)** | **7** | – | 314 | **24** | **3** | – |
| Compensation and benefits | 1,412 | 1,465 | 1,080 | (4) | 31 | 4,357 | 3,945 | 10 |
| General and administrative expenses | 766 | 680 | 746 | 13 | 3 | 2,172 | 2,264 | (4) |
| Commission expenses | 217 | 198 | 219 | 10 | (1) | 621 | 690 | (10) |
| Total other operating expenses | 983 | 878 | 965 | 12 | 2 | 2,793 | 2,954 | (5) |
| **Total operating expenses** | **2,395** | **2,343** | **2,045** | 2 | 17 | **7,150** | **6,899** | 4 |
| **Income before taxes** | **995** | **1,042** | **697** | (5) | 43 | **3,165** | **3,413** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 17.1 | 18.7 | 12.4 | – | – | 18.9 | 19.9 | – |
| Cost/income ratio | 70.0 | 69.3 | 74.4 | – | – | 69.2 | 66.9 | – |
| Pre-tax income margin | 29.1 | 30.8 | 25.4 | – | – | 30.6 | 33.1 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 152,316 | 147,374 | 132,831 | 3 | 15 | 152,316 | 132,831 | 15 |
| Risk-weighted assets – Basel III (USD) | 159,410 | 166,186 | 146,897 | (4) | 9 | 159,410 | 146,897 | 9 |
| Total assets | 541,941 | 500,043 | 515,555 | 8 | 5 | 541,941 | 515,555 | 5 |
| Swiss leverage exposure | 755,332 | 688,587 | 716,744 | 10 | 5 | 755,332 | 716,744 | 5 |
| Swiss leverage exposure (USD) | 790,509 | 776,485 | 792,639 | 2 | – | 790,509 | 792,639 | – |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

### Advisory and other fees

**YoY: Up 12% from CHF 152 million to CHF 170 million**

Results reflected higher advisory revenues driven by an increase in the overall M&A fee pool and strong corporate activity.

**QoQ: Up 6% from CHF 161 million to CHF 170 million**

The increase was driven by higher advisory revenues, reflecting an increase in our share of wallet.

### Fixed income sales and trading

**YoY: Up 50% from CHF 1,031 million to CHF 1,551 million**

Fixed income revenues improved substantially from subdued 3Q13 levels, driven by increased client activity across many products. 3Q13 performance was adversely impacted by a significant decline in client trading activity due to rising rates and widening credit spreads as a result of the US Federal Reserve's announcement to reduce its bond buying program. Revenues in our diversified securitized products franchise were robust, reflecting higher results in non-agency and agency securities and continued momentum in asset finance. A significant improvement in emerging markets results was driven by higher trading revenues across local markets and solid client financing activity. Revenues in global macro products improved, reflecting higher market volatility and increased client activity, particularly in our foreign exchange business. Global credit products revenues were solid, albeit lower, reflecting weaker leverage finance trading performance as increased market volatility had an adverse impact on revenues.

**QoQ: Up 6% from CHF 1,470 million to CHF 1,551 million**

Fixed income sales and trading revenues were higher, driven by continued favorable operating conditions across many of our businesses. We had significantly higher emerging markets revenues driven by robust origination and trading activity. Higher global macro products revenues were driven by improved foreign exchange results. Securitized products revenues were robust, primarily driven by strong asset finance results and higher agency revenues. Global credit products revenues declined, primarily driven by lower leveraged finance results, reflecting less favorable trading conditions.

### Equity sales and trading

**YoY: Down 2% from CHF 1,095 million to CHF 1,069 million**

Stable results reflected muted trading activity. Systematic market making results were substantially lower compared to a strong 3Q13 performance, which included the positive impact of quantitative easing in Japan. Cash equities revenues also declined due to reduced commission revenues as a result of lower US market volumes and subdued activity in Brazil. Derivatives revenues increased significantly, driven by strong growth in fee-based products distributed by Private Banking and Wealth Management, particularly in Asia Pacific. Revenues in prime services were higher, reflecting growth in client balances and portfolio optimization initiatives.

**QoQ: Down 4% from CHF 1,119 million to CHF 1,069 million**

The decline was primarily driven by lower revenues in systematic market making and cash equities due to less favorable trading conditions. These declines were partially offset by strong derivatives revenues. Prime services revenues also increased following a strong 2Q14 performance, which included the positive impact of the seasonally strong dividend season.

## Operating expenses

### Compensation and benefits

**YoY: Up 31% from CHF 1,080 million to CHF 1,412 million**

The increase was primarily driven by higher discretionary compensation expenses, reflecting higher results. Our deferred compensation expenses from prior-year awards and salaries expenses also increased.

**QoQ: Down 4% from CHF 1,465 to CHF 1,412 million**

The decrease was driven by lower discretionary compensation expenses.

### General and administrative expenses

**YoY: Up 3% from CHF 746 million to CHF 766 million**

The increase was driven by higher litigation expenses which offset cost reductions in infrastructure initiatives.

**QoQ: Up 13% from CHF 680 million to CHF 766 million**

The increase was primarily driven by higher litigation expenses and higher UK bank levy expenses.

# Non-strategic results

## OVERVIEW

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, commodities trading business, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

In 3Q14, we made continued progress in winding down the non-strategic unit, including the reduction of Basel III risk-weighted assets and Swiss leverage exposure. Additionally, we completed the transfer of our commodities trading business into the non-strategic unit during the quarter. We reported a loss before taxes of CHF 479 million and negative net revenues of CHF 116 million in 3Q14. Compared to 3Q13, negative net revenues were smaller, reflecting portfolio net valuation gains and improved funding costs from proactive management of both our legacy debt instruments and trading assets. We had higher negative net revenues compared to 2Q14, which included higher positive net valuation gains in the portfolio. 3Q14 results also reflected higher costs to exit positions in our legacy rates portfolio. Total operating expenses increased compared to both 3Q13 and 2Q14, driven by higher litigation provisions.

As of the end of 3Q14, we reported Basel III risk-weighted assets of USD 12 billion, down USD 9 billion from 3Q13. Additionally, we have reduced Basel III risk-weighted assets by USD 2 billion from 2Q14. This compares to our risk-weighted assets target of USD 6 billion by year-end 2015. We reported Swiss leverage exposure of USD 66 billion, a reduction of USD 28 billion from 3Q13 and a reduction of USD 11 billion from 2Q14. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | 3Q14 | 2Q14 | 3Q13 | QoQ | YoY | 9M14 | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(116)** | **(38)** | **(197)** | 205 | (41) | **(278)** | **(418)** | (33) |
| **Provision for credit losses** | **7** | **0** | **0** | – | – | **7** | **2** | 250 |
| Compensation and benefits | 38 | 34 | 49 | 12 | (22) | 113 | 135 | (16) |
| Total other operating expenses | 318 | 218 | 222 | 46 | 43 | 672 | 575 | 17 |
| of which litigation | 227 | 157 | 153 | 45 | 48 | 449 | 381 | 18 |
| **Total operating expenses** | **356** | **252** | **271** | 41 | 31 | **785** | **710** | 11 |
| **Loss before taxes** | **(479)** | **(290)** | **(468)** | 65 | 2 | **(1,070)** | **(1,130)** | (5) |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | (16) | (44) | (66) | (64) | (76) | (115) | (92) | 25 |
| Legacy rates business | (52) | 5 | (8) | – | – | (73) | 13 | – |
| Legacy funding costs | (35) | (34) | (95) | 3 | (63) | (115) | (287) | (60) |
| Other | (13) | 35 | (28) | – | (54) | 25 | (52) | – |
| **Net revenues** | **(116)** | **(38)** | **(197)** | 205 | (41) | **(278)** | **(418)** | (33) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 11,040 | 12,825 | 18,543 | (14) | (40) | 11,040 | 18,543 | (40) |
| Risk-weighted assets – Basel III (USD) | 11,554 | 14,462 | 20,506 | (20) | (44) | 11,554 | 20,506 | (44) |
| Total assets | 23,143 | 25,058 | 30,431 | (8) | (24) | 23,143 | 30,431 | (24) |
| Swiss leverage exposure | 62,604 | 68,034 | 84,429 | (8) | (26) | 62,604 | 84,429 | (26) |
| Swiss leverage exposure (USD) | 65,520 | 76,719 | 93,369 | (15) | (30) | 65,520 | 93,369 | (30) |

The following provides a comparison of our non-strategic 3Q14 results versus 3Q13 (YoY) and versus 2Q14 (QoQ).

### Net revenues

**YoY: From CHF 197 million to CHF 116 million**

The smaller loss reflected net valuation gains in our legacy fixed income portfolio and lower funding costs from proactive management of both our legacy debt instruments and trading assets. These positive drivers were partially offset by higher losses in the legacy rates portfolio, reflecting the costs related to exiting concentrated portfolio positions.

**QoQ: From CHF 38 million to CHF 116 million**

We had a larger loss as 2Q14 included positive net valuation gains in the portfolio. In 3Q14 we had higher losses in the legacy rates portfolio reflecting higher costs related to exiting concentrated portfolio positions.

### Total operating expenses

**YoY: Up 31% from CHF 271 million to CHF 356 million**

The increase was driven by higher litigation provisions, primarily in connection with mortgage-related matters.

**QoQ: Up 41% from CHF 252 million to CHF 356 million**

The increase was driven by higher litigation provisions, primarily in connection with mortgage-related matters.

# Corporate Center

In 3Q14, we recorded a loss before taxes of CHF 158 million compared to a loss before taxes of CHF 559 million in 3Q13.

## RESULTS OVERVIEW

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

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at fair value, certain business realignment costs, IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit.

In **3Q14**, we recorded a loss before taxes of CHF 158 million compared to a loss before taxes of CHF 559 million in 3Q13. In strategic results, we recorded a loss before taxes of CHF 245 million. Non-strategic results reported income before taxes of CHF 87 million, primarily including fair value gains from movements in own credit spreads of CHF 351 million. Fair value gains of CHF 252 million on own long-term vanilla debt reflected the widening of credit spreads on senior and subordinated debt across most currencies. The fair value gains were partially offset by reclassifications to discontinued operations of CHF 106 million related to the sale of our domestic private banking business booked in Germany, IT architecture simplification expenses of CHF 69 million and business realignment costs of CHF 69 million, primarily consisting of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives.

### Corporate Center results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **109** | **45** | **(419)** | 142 | – | **(33)** | **(613)** | (95) |
| **Provision for credit losses** | **(2)** | **0** | **0** | – | – | **(1)** | **1** | – |
| Compensation and benefits | 102 | 235 | 115 | (57) | (11) | 503 | 336 | 50 |
| General and administrative expenses | 167 | 183 | 21 | (9) | – | 447 | 87 | 414 |
| Commission expenses | 0 | 0 | 4 | – | (100) | (12) | 29 | – |
| Total other operating expenses | 167 | 183 | 25 | (9) | – | 435 | 116 | 275 |
| **Total operating expenses** | **269** | **418** | **140** | (36) | 92 | **938** | **452** | 108 |
| **Loss before taxes** | **(158)** | **(373)** | **(559)** | (58) | (72) | **(970)** | **(1,066)** | (9) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 16,238 | 15,433 | 15,984 | 5 | 2 | 16,238 | 15,984 | 2 |
| Total assets | 45,959 | 42,509 | 31,624 | 8 | 45 | 45,959 | 31,624 | 45 |
| Swiss leverage exposure | 45,053 | 42,675 | 36,486 | 6 | 23 | 45,053 | 36,486 | 23 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and Non-strategic results

| | Strategic results | | | Non-strategic results | | | Corporate Center | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **(71)** | **(3)** | **10** | **180** | **48** | **(429)** | **109** | **45** | **(419)** |
| **Provision for credit losses** | **(2)** | **0** | **0** | **0** | **0** | **0** | **(2)** | **0** | **0** |
| Compensation and benefits | 73 | 70 | 77 | 29 | 165 | 38 | 102 | 235 | 115 |
| Total other operating expenses | 103 | 76 | 22 | 64 | 107 | 3 | 167 | 183 | 25 |
| **Total operating expenses** | **176** | **146** | **99** | **93** | **272** | **41** | **269** | **418** | **140** |
| **Income/(loss) before taxes** | **(245)** | **(149)** | **(89)** | **87** | **(224)** | **(470)** | **(158)** | **(373)** | **(559)** |

## Corporate Center – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **180** | **48** | **(429)** | 275 | – | **82** | **(575)** | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **93** | **272** | **41** | (66) | 127 | **509** | **211** | 141 |
| **Income/(loss) before taxes** | **87** | **(224)** | **(470)** | – | – | **(427)** | **(786)** | (46) |
| of which fair value impact from movements in own credit spreads | 351 | (10) | (163) | – | – | 221 | (113) | – |
| of which realignment costs [1] | (69) | (136) | (38) | (49) | 82 | (267) | (263) | 2 |
| of which IT architecture simplification expenses | (69) | (81) | (40) | (15) | 73 | (211) | (59) | 258 |
| of which real estate sales | – | 5 | – | (100) | – | 39 | – | – |
| of which legacy funding costs [2] | (21) | (22) | (20) | (5) | 5 | (49) | (63) | (22) |
| of which reclassifications to discontinued operations [3] | (106) | 10 | (213) | – | (50) | (152) | (225) | (32) |
| of which other non-strategic items | 1 | 10 | 4 | (90) | (75) | (8) | (63) | (87) |

1 Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
2 Represents legacy funding costs associated with non-Basel III compliant debt instruments.
3 Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and Customized Fund Investment Group businesses and the domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **3Q14** | 2Q14 | 3Q13 | **9M14** | 9M13 |
|---|---|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **351** | **(10)** | **(163)** | **221** | **(113)** |
| of which fair value gains/(losses) on own long-term vanilla debt | 252 | (29) | (68) | 131 | (88) |
| of which fair value gains/(losses) from DVA on structured notes | 97 | 4 | (99) | 97 | (61) |
| of which fair value gains/(losses) on stand-alone derivatives | 2 | 15 | 4 | (7) | 36 |

# Assets under management

We had net asset inflows from continuing operations of CHF 7.8 billion during 3Q14 and assets under management from continuing operations of CHF 1,366.1 billion as of the end of 3Q14.

**Assets under management**

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

Assets under management from continuing operations of CHF 1,366.1 billion increased CHF 46.5 billion or 3.5% compared to the end of 2Q14, driven mainly by favorable foreign exchange-related movements resulting from the appreciation of the US dollar, positive market movements and net new assets. Compared to the end of 3Q13, assets under management from continuing operations were CHF 126.8 billion higher, primarily reflecting positive market movements, net new assets of CHF 37.4 billion and favorable foreign exchange-related movements.

▸ Refer to “Private Banking & Wealth Management” in I – Credit Suisse results and “Note 37 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

## Assets under management and client assets

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Assets under management (CHF billion)** | | | | | | | |
| Wealth Management Clients | 864.3 | 829.7 | 790.7 | 782.9 | 4.2 | 9.3 | 10.4 |
| Corporate & Institutional Clients | 266.6 | 261.4 | 250.0 | 241.1 | 2.0 | 6.6 | 10.6 |
| Asset Management | 391.1 | 377.1 | 352.3 | 349.0 | 3.7 | 11.0 | 12.1 |
| Non-strategic | 13.4 | 25.9 | 44.4 | 48.7 | (48.3) | (69.8) | (72.5) |
| Assets managed across businesses [1] | (169.3) | (164.4) | (155.0) | (153.5) | 3.0 | 9.2 | 10.3 |
| **Assets under management** | **1,366.1** | **1,329.7** | **1,282.4** | **1,268.2** | **2.7** | **6.5** | **7.7** |
| of which continuing operations | 1,366.1 | 1,319.6 | 1,253.4 | 1,239.3 | 3.5 | 9.0 | 10.2 |
| of which discontinued operations | 0.0 | 10.1 | 29.0 | 28.9 | (100.0) | (100.0) | (100.0) |
| **Assets under management from continuing operations** | **1,366.1** | **1,319.6** | **1,253.4** | **1,239.3** | **3.5** | **9.0** | **10.2** |
| of which discretionary assets | 434.5 | 421.0 | 397.6 | 393.3 | 3.2 | 9.3 | 10.5 |
| of which advisory assets | 931.6 | 898.6 | 855.8 | 846.0 | 3.7 | 8.9 | 10.1 |
| **Client assets (CHF billion)** | | | | | | | |
| Wealth Management Clients | 988.5 | 953.6 | 904.5 | 895.7 | 3.7 | 9.3 | 10.4 |
| Corporate & Institutional Clients | 362.2 | 352.3 | 353.3 | 342.3 | 2.8 | 2.5 | 5.8 |
| Asset Management | 391.1 | 377.1 | 352.3 | 349.0 | 3.7 | 11.0 | 12.1 |
| Non-strategic | 19.4 | 32.8 | 51.8 | 55.9 | (40.9) | (62.5) | (65.3) |
| Assets managed across businesses [1] | (169.3) | (164.4) | (155.0) | (153.5) | 3.0 | 9.2 | 10.3 |
| **Client Assets** | **1,591.9** | **1,551.4** | **1,506.9** | **1,489.4** | **2.6** | **5.6** | **6.9** |
| of which continuing operations | 1,591.7 | 1,540.4 | 1,477.5 | 1,460.0 | 3.3 | 7.7 | 9.0 |
| of which discontinued operations | 0.2 | 11.0 | 29.4 | 29.4 | (98.2) | (99.3) | (99.3) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

### Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

### Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets from continuing operations of CHF 7.8 billion in 3Q14.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 5.1 billion in 3Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.9 billion in 3Q14. Asset Management reported net new assets of CHF 3.3 billion in 3Q14, driven mainly by inflows in traditional products, including inflows from a joint venture in emerging markets, credit products and private equity investments. In our non-strategic portfolio, net asset outflows of CHF 1.4 billion reflected our exit of certain businesses, of which CHF 0.4 billion were classified as discontinued operations.

## Growth in assets under management

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets from continuing operations** | **7.8** | **10.7** | **8.8** | **33.2** | **31.9** |
| Net new assets from discontinued operations | (0.4) | (0.6) | (0.7) | (2.0) | (4.2) |
| **Net new assets** | **7.4** | **10.1** | **8.1** | **31.2** | **27.7** |
| of which Wealth Management Clients | 5.1 | 7.4 | 3.8 | 23.1 | 17.2 |
| of which Corporate & Institutional Clients | 0.9 | 0.6 | 0.5 | 1.9 | 4.8 |
| of which Asset Management [1] | 3.3 | 4.1 | 4.4 | 14.3 | 15.5 |
| of which non-strategic | (1.4) | (1.7) | (1.2) | (5.4) | (4.9) |
| of which assets managed across businesses [2] | (0.5) | (0.3) | 0.6 | (2.7) | (4.9) |
| **Other effects from continuing operations** | **38.7** | **27.8** | **(14.9)** | **79.5** | **9.6** |
| Other effects from discontinued operations | (9.7) | (0.7) | (21.6) | (27.0) | (19.9) |
| **Other effects** | **29.0** | **27.1** | **(36.5)** | **52.5** | **(10.3)** |
| of which Wealth Management Clients | 29.5 | 17.4 | (3.2) | 50.5 | 7.7 |
| of which Corporate & Institutional Clients | 4.3 | 6.4 | 2.3 | 14.7 | 12.5 |
| of which Asset Management | 10.7 | 9.6 | (1.5) | 24.5 | 8.2 |
| of which non-strategic | (11.1) | 1.7 | (33.9) | (25.6) | (31.1) |
| of which assets managed across businesses [2] | (4.4) | (8.0) | (0.2) | (11.6) | (7.6) |
| **Growth in assets under management from continuing operations** | **46.5** | **38.5** | **(6.1)** | **112.7** | **41.5** |
| Growth in assets under management from discontinued operations | (10.1) | (1.3) | (22.3) | (29.0) | (24.1) |
| **Growth in assets under management** | **36.4** | **37.2** | **(28.4)** | **83.7** | **17.4** |
| of which Wealth Management Clients | 34.6 | 24.8 | 0.6 | 73.6 | 24.9 |
| of which Corporate & Institutional Clients | 5.2 | 7.0 | 2.8 | 16.6 | 17.3 |
| of which Asset Management [1] | 14.0 | 13.7 | 2.9 | 38.8 | 23.7 |
| of which non-strategic | (12.5) | 0.0 | (35.1) | (31.0) | (36.0) |
| of which assets managed across businesses [2] | (4.9) | (8.3) | 0.4 | (14.3) | (12.5) |

## Growth in assets under management (continued)

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets from continuing operations** | **2.4** | **3.3** | **2.8** | **3.5** | **3.6** |
| Net new assets from discontinued operations | (15.8) | (21.1) | (5.5) | (9.2) | (10.6) |
| **Net new assets** | **2.2** | **3.1** | **2.5** | **3.2** | **3.0** |
| of which Wealth Management Clients | 2.5 | 3.7 | 1.9 | 3.9 | 3.0 |
| of which Corporate & Institutional Clients | 1.4 | 0.9 | 0.8 | 1.0 | 2.9 |
| of which Asset Management [1] | 3.5 | 4.5 | 5.1 | 5.4 | 6.4 |
| of which non-strategic | (21.6) | (26.3) | (5.7) | (16.2) | (7.7) |
| of which assets managed across businesses [2] | 1.2 | 0.8 | (1.6) | 2.3 | 4.6 |
| **Other effects from continuing operations** | **11.7** | **8.7** | **(4.8)** | **8.5** | **1.0** |
| Other effects from discontinued operations | (384.2) | (24.5) | (168.7) | (124.1) | (50.0) |
| **Other effects** | **8.7** | **8.4** | **(11.3)** | **5.5** | **(1.1)** |
| of which Wealth Management Clients | 14.2 | 8.6 | (1.6) | 8.5 | 1.4 |
| of which Corporate & Institutional Clients | 6.6 | 10.1 | 3.9 | 7.9 | 7.4 |
| of which Asset Management | 11.4 | 10.6 | (1.7) | 9.3 | 3.3 |
| of which non-strategic | (171.5) | 26.3 | (161.8) | (76.9) | (49.0) |
| of which assets managed across businesses [2] | 10.7 | 20.5 | 0.6 | 10.0 | 7.2 |
| **Growth in assets under management continuing operations** | **14.1** | **12.0** | **(2.0)** | **12.0** | **4.6** |
| Growth in assets under management from discontinued operations | (400.0) | (45.6) | (174.2) | (133.3) | (60.6) |
| **Growth in assets under management** | **10.9** | **11.5** | **(8.8)** | **8.7** | **1.9** |
| of which Wealth Management Clients | 16.7 | 12.3 | 0.3 | 12.4 | 4.4 |
| of which Corporate & Institutional Clients | 8.0 | 11.0 | 4.7 | 8.9 | 10.3 |
| of which Asset Management [1] | 14.9 | 15.1 | 3.4 | 14.7 | 9.7 |
| of which non-strategic | (193.1) | 0.0 | (167.5) | (93.1) | (56.7) |
| of which assets managed across businesses [2] | 11.9 | 21.3 | (1.0) | 12.3 | 11.8 |
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.0** | **3.1** | **3.3** | **–** | **–** |
| Net new assets from discontinued operations | (6.2) | (4.1) | (8.4) | – | – |
| **Net new assets** | **2.8** | **2.8** | **2.8** | **–** | **–** |
| of which Wealth Management Clients | 3.2 | 3.0 | 2.7 | – | – |
| of which Corporate & Institutional Clients | 2.4 | 2.3 | 2.7 | – | – |
| of which Asset Management [1] | 4.0 | 4.3 | 5.7 | – | – |
| of which non-strategic | (13.1) | (7.4) | (6.7) | – | – |
| of which assets managed across businesses [2] | 1.6 | 0.9 | 3.4 | – | – |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Net new assets (CHF billion)** | | | | | |
| Wealth Management Clients | 5.1 | 7.4 | 3.8 | 23.1 | 17.2 |
| Corporate & Institutional Clients | 0.9 | 0.6 | 0.5 | 1.9 | 4.8 |
| Asset Management | 3.3 | 4.1 | 4.4 | 14.3 | 15.5 |
| Non-strategic | (1.4) | (1.7) | (1.2) | (5.4) | (4.9) |
| Assets managed across businesses [1] | (0.5) | (0.3) | 0.6 | (2.7) | (4.9) |
| **Net new assets** | **7.4** | **10.1** | **8.1** | **31.2** | **27.7** |
| of which continuing operations | 7.8 | 10.7 | 8.8 | 33.2 | 31.9 |
| of which discontinued operations | (0.4) | (0.6) | (0.7) | (2.0) | (4.2) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

# II

# Treasury, risk, balance sheet and off-balance sheet

# Liquidity and funding management

During 3Q14, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

### Overview

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 for further information on liquidity and funding management.

### Liquidity risk management framework

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum limit.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR).

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once it becomes effective, should always be at least 100%.

Although the NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the BCBS and FINMA, we began using the NSFR in 2012 as one of our primary tools, in parallel with the liquidity barometer, to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. We estimate that our NSFR under the current FINMA framework was approximately 100% as of the end of 3Q14. Our estimate is based on the definitions and methodologies outlined in the aforementioned BCBS Basel III international framework for liquidity risk measurement, standards and monitoring issued in December 2010, the Liquidity ordinance discussed below implementing the Basel III liquidity requirements into Swiss law, and other guidance and requirements of FINMA. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions which may not be consistent with those of other financial institutions or what may ultimately be required by the BCBS and FINMA. The NSFR is based on regulatory metrics, the disclosure of which is not yet required, and, as such, it represents a non-GAAP financial measure.

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The BCBS also proposed revisions to the NSFR, which are expected to become the minimum standard by the previously announced date of January 1, 2018.

In June 2014, the Swiss Federal Council approved proposed revisions to a liquidity ordinance, adopted in November 2012 (Liquidity ordinance), which requires Swiss banks to maintain a specified liquidity standard and implements Basel III liquidity requirements into Swiss law. The purpose of the revisions is to reflect the final Basel III LCR rules in the Liquidity ordinance. Pursuant to the revisions, all Swiss banks will be subject to an LCR requirement. Systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015, while other banks will be subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. The revisions will enter into force on January 1, 2015. Following these revisions, beginning in 2Q14 the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by our Treasury function and previously recorded in the Corporate Center has been allocated to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

Our revised liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

**Funding sources and uses**

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

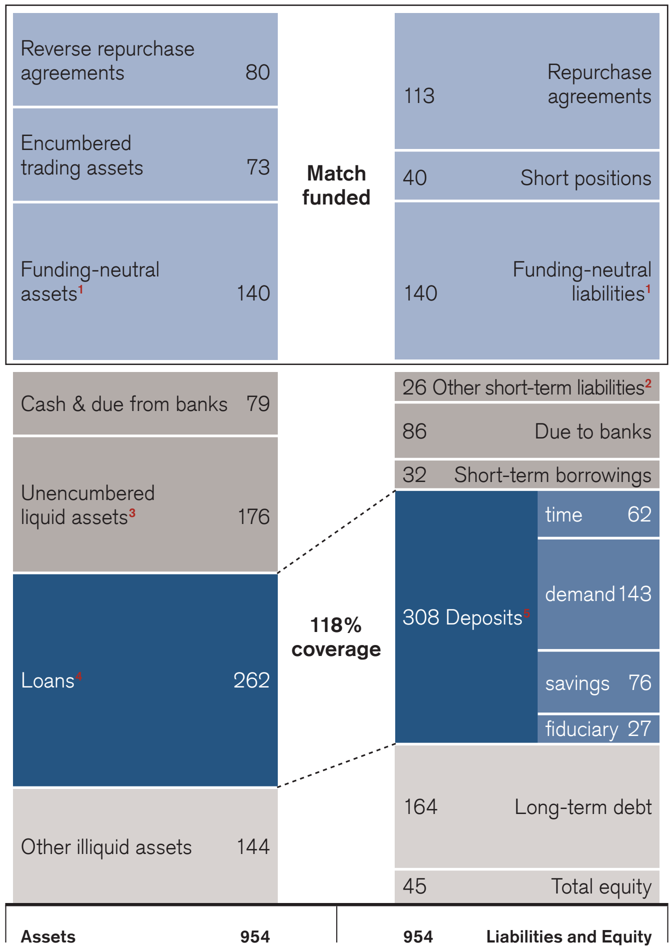
Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

These assets include our liquidity pool, which as of the end of 3Q14 based on our internal model was CHF 180 billion, net of a stress test level haircut. The liquidity pool consisted of CHF 58 billion of cash held at major central banks, primarily the Fed, SNB and the ECB, CHF 87 billion of securities issued by governments and government agencies, primarily of the US, Britain, France, Germany and Switzerland and CHF 35 billion of other highly liquid assets including equity securities that form part of major indices. As of September 30, 2014, our internal model included the application of a stress test level average haircut equal to approximately 33% of the market value of non-cash positions in the liquidity pool, a decrease compared to prior periods reflecting a refinement in the calculation through elimination of certain loan balances which had previously received a 100% haircut. The haircut reflects our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 18% as of the end of 3Q14 and 2Q14, reflecting an increase in loans and in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

## Balance sheet funding structure

as of September 30, 2014 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

Our core customer deposits totaled CHF 308 billion as of the end of 3Q14 compared to CHF 295 billion as of the end of 2Q14, reflecting a stable customer deposit base in Private Banking & Wealth Management. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet and off-balance sheet" for further information.

## Liquidity pool

| September 30, 2014 | Swiss franc | US dollar | Euro | Other currencies | Total |
|---|---|---|---|---|---|
| **Liquidity pool by currencies (CHF billion)** | | | | | |
| Cash held at central banks | 20.7 | 35.7 | 1.1 | 0.8 | 58.3 |
| Government bonds | 1.8 | 56.7 | 12.6 | 15.4 | 86.5 [1] |
| Fixed income securities | 2.0 | 2.3 | 0.7 | 3.6 | 8.6 |
| Liquid equity securities | - | 19.8 | - | 6.6 | 26.4 |
| **Total liquidy pool (based on internal model)** | **24.5** | **114.5** | **14.4** | **26.4** | **179.8** |

[1] Includes reverse repurchases of government bonds of CHF 39.2 billion.

### Debt issuances and redemptions

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

The table below provides information on long-term debt issuances, maturities and redemptions in 3Q14, excluding structured notes.

## Debt issuances and redemptions

| in 3Q14 | Senior | Subordinated | Long-term debt |
|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | |
| **Issuances** | **14.6** | **–** | **14.6** |
| of which unsecured | 12.6 | | 12.6 |
| of which secured [1] | 2.0 | – | 2.0 |
| **Maturities / Redemptions** | **0.7** | **–** | **0.7** |
| of which unsecured | 0.6 | | 0.6 |
| of which secured [1] | 0.1 | | 0.1 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 3Q14, we had outstanding long-term debt of CHF 164 billion, which included senior and subordinated instruments. We had CHF 46.0 billion and CHF 18.9 billion of structured notes and covered bonds outstanding, respectively, as of the end of 3Q14 compared to CHF 41.7 billion and CHF 16.8 billion, respectively, as of 2Q14.

▸ Refer to “Capital issuances and redemptions” in Capital management for information on issuances of capital notes, all of which constitute subordinated debt instruments.

As of the end of 3Q14, the weighted average maturity of long-term debt was 6.4 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings increased 10% to CHF 32.3 billion as of the end of 3Q14 compared to CHF 29.4 billion in 2Q14.

### Credit ratings

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank’s long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.3 billion, CHF 3.0 billion and CHF 4.2 billion, respectively, as of the end of 3Q14, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

As of the end of 3Q14, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

▸ Refer to “Credit ratings” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management in the Credit Suisse Annual Report 2013 for further information.

# Capital management

As of the end of 3Q14, our CET1 ratio was 14.3% under Basel III and 9.8% on a look-through basis. Our RWA under Basel III were CHF 292.9 billion and our Swiss leverage ratio was 4.9%.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2013 for further information.

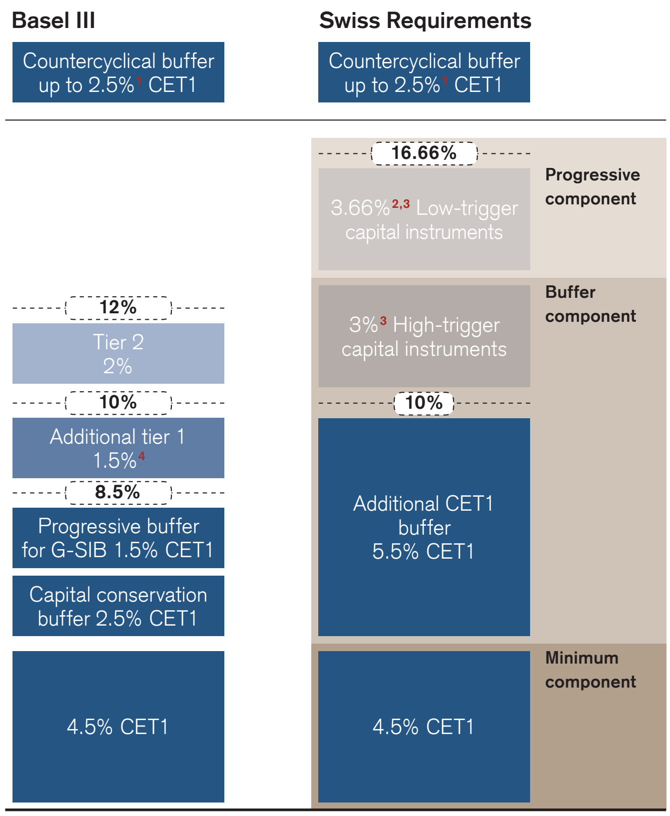
### Capital structure under Basel III

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

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Capital frameworks for Credit Suisse




1 As of June 30, 2014, banks must hold, pursuant to both BIS and FINMA requirements, CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

2 The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2015, FINMA increased our 2019 progressive component requirement from 3.66% to 4.05% due to the latest assessment of relevant market shares.

3 Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.

4 Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

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

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

## Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | |
| CET1 | 4.0% [1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **4.0%** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Total tier 1** | **5.5%** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 2.5% [1] | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | 20.0% [1] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase-out | Phased out over a 10-year horizon beginning 2013 through 2022 | | | | | |

[1] Indicates phase-in period.
[2] Includes goodwill, other intangible assets, certain deferred tax assets and participations in financial institutions.

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

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

### Swiss Requirements

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

▸ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

▸ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

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

The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. Effective in 2014, FINMA set our progressive component requirement at 3.66% for 2019. On July 28, 2014, FINMA notified us that, effective in 2015, the progressive component requirement for 2019 will be increased from 3.66% to 4.05% due to the latest assessment of our relevant market share. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. Effective September 2013, the buffer was activated and initially required banks to hold CET1 capital in the amount of 1% of their RWA pertaining to mortgages that finance residential property in Switzerland. In January 2014, upon the request of the SNB, the Swiss Federal Council increased the countercyclical buffer from 1% to 2%, effective June 30, 2014. As of the end of 3Q14, our countercyclical buffer, which applies pursuant to both Bank for International Settlements (BIS) and FINMA requirements, was CHF 299 million, which is equivalent to an additional requirement of 0.1% of CET1 capital.

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

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

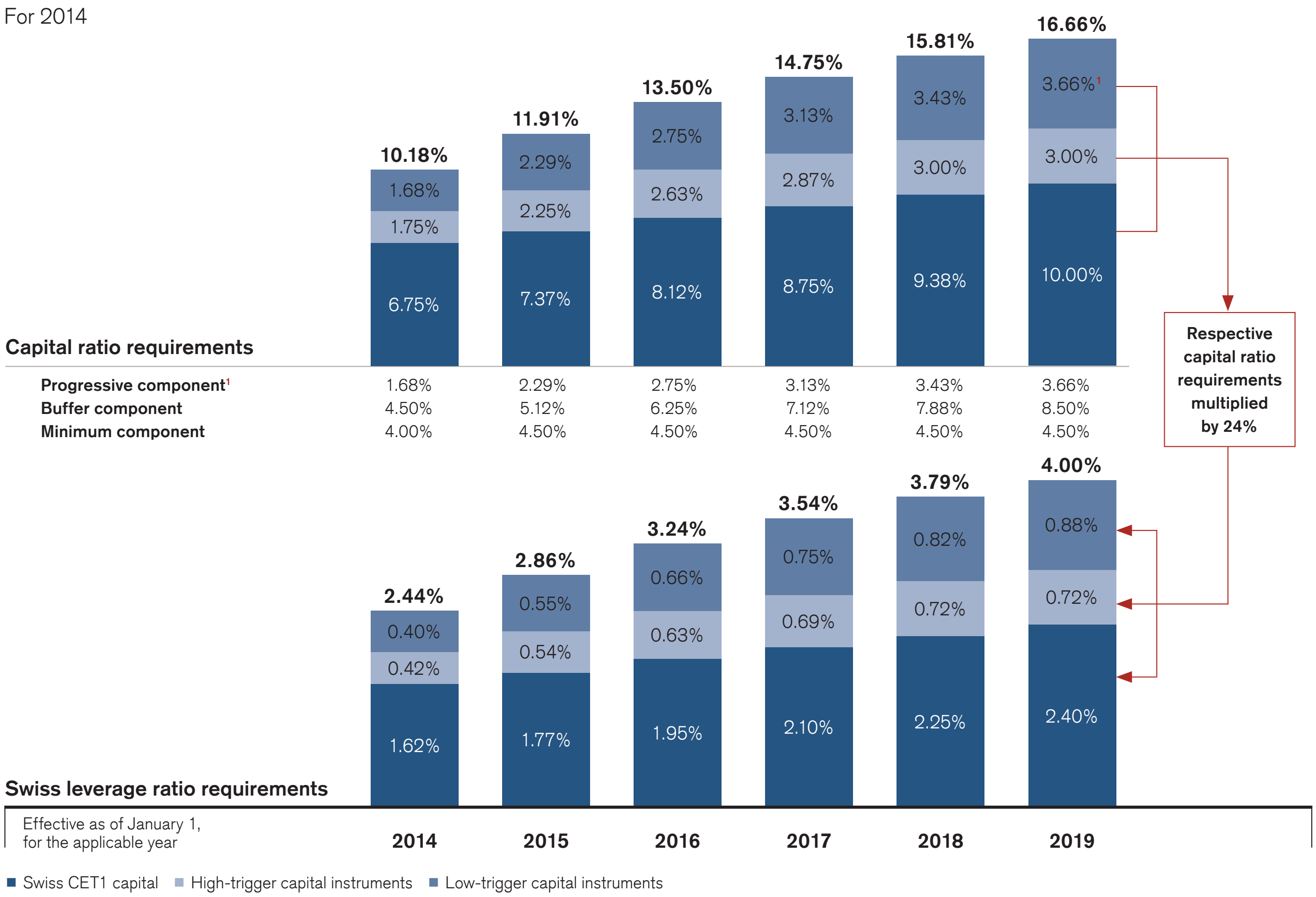
▸ Refer to "Capital management" in II – Treasury, risk, balance sheet and off-balance sheet in the Financial Report 1Q14 for further information on the FINMA Decree.

Beginning in 1Q14, we adjusted the presentation of our Swiss capital metrics and terminology and we now refer to Swiss Core Capital as Swiss CET1 capital and Swiss Total Capital as Swiss total eligible capital. Swiss Total Capital previously reflected the tier 1 participation securities, which were fully redeemed in 1Q14. Swiss CET1 capital consists of BIS CET1 capital and certain other Swiss adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments and additional tier 1 instruments and tier 2 instruments subject to phase-out and phase-in deductions from CET1.

We must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

### Swiss capital and leverage ratio phase-in requirements for Credit Suisse

For 2014




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

[1] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2015, FINMA increased our 2019 progressive component requirement from 3.66% to 4.05% due to the latest assessment of relevant market shares, which leads to a total capital ratio requirement of 17.05% and a Swiss leverage ratio requirement of 4.09%.

### Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed Value-at-Risk (VaR), risks not in VaR, comprehensive risk measure framework and advanced credit valuation adjustment (CVA).

FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 3Q14, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to “Risk measurement models” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

▸ Refer to “Market risk” in Risk management for further information on Credit Suisse’s risk measurement models and backtesting exceptions.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In June 2014, FINMA released a draft circular regarding the implementation of the leverage ratio requirements in Switzerland in response to the BCBS publication of the framework and disclosure requirements for the Basel III leverage ratio. The required Basel III leverage ratio, which seeks to measure tier 1 capital against exposure, is expected to be at least 3%. Although the effective date of the Basel III leverage ratio is not until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators. FINMA continued this consultation in 3Q14.

## CAPITAL ISSUANCES AND REDEMPTIONS

There were no capital issuances or redemptions in 3Q14.

### Higher Trigger Capital Amount

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion or write down is referred to as the Higher Trigger Capital Amount.

With respect to the capital instruments that specify a 5.125% trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 8.7 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.0%, both as of the end of 3Q14.

With respect to the capital instruments that specify a 5% trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 13.5 billion and the Higher Trigger Capital Ratio was 4.6%, both as of the end of 3Q14.

▸ Refer to the table “BIS statistics – Basel III – Group” for further information on the BIS statistics used to calculate such measures.

▸ Refer to “Capital issuances and redemptions” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information on Higher Trigger Capital Amount.

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 14.3% as of the end of 3Q14, compared to 13.8% as of the end of 2Q14, reflecting an increase in CET1 capital, partially offset by an increase in RWA. Our tier 1 ratio was 16.4% as of the end of 3Q14, compared to 16.0% as of the end of 2Q14. Our total capital ratio increased to 20.1% as of the end of 3Q14 compared to 19.5% as of the end of 2Q14.

CET1 capital was CHF 41.8 billion as of the end of 3Q14 compared to CHF 39.5 billion as of the end of 2Q14, mainly reflecting a positive foreign exchange impact, net income and the net effect of share-based compensation. CET1 capital was also impacted by a quarterly dividend accrual.

Additional tier 1 capital increased to CHF 6.3 billion and tier 2 capital increased to CHF 10.6 billion as of the end of 3Q14, mainly due to the positive foreign exchange impact.

Total eligible capital was CHF 58.8 billion as of the end of 3Q14 compared to CHF 55.6 billion as of the end of 2Q14, reflecting the increases in CET1 capital, additional tier 1 capital and tier 2 capital.

We reported a look-through CET1 ratio of 9.8% as of the end of 3Q14, compared to a year-end target of 10.0% and a long-term target of 11.0%. As of the end of 3Q14, the look-through total capital ratio was 15.9%, compared to 15.4% as of the end of 2Q14.

## BIS statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 3Q14 | 2Q14 | 4Q13 | % change QoQ | 3Q14 | 2Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 43,864 | 40,944 | 42,164 | 7 | 43,864 | 40,944 | 42,164 | 7 |
| Regulatory adjustments [1] | (669) | (362) | (1,069) | 85 | (669) | (362) | (1,069) | 85 |
| Adjustments subject to phase-in | (1,359) [2] | (1,129) | 1,894 [3] | 20 | (15,274) | (14,163) | (14,615) | 8 |
| **CET1 capital** | **41,836** | **39,453** | **42,989** | 6 | **27,921** | **26,419** | **26,480** | 6 |
| Additional tier 1 instruments | 10,884 [4] | 10,282 | 7,484 | 6 | 10,884 | 10,282 | 7,484 | 6 |
| Additional tier 1 instruments subject to phase-out [5] | 2,345 | 2,138 | 3,652 | 10 | – | – | – | – |
| Deductions from additional tier 1 capital | (6,889) [6] | (6,336) | (8,064) | 9 | – | – | – | – |
| **Additional tier 1 capital** | **6,340** | **6,084** | **3,072** | 4 | **10,884** | **10,282** | **7,484** | 6 |
| **Total tier 1 capital** | **48,176** | **45,537** | **46,061** | 6 | **38,805** | **36,701** | **33,964** | 6 |
| Tier 2 instruments | 6,735 [7] | 6,409 | 6,263 | 5 | 6,735 | 6,409 | 6,263 | 5 |
| Tier 2 instruments subject to phase-out | 4,150 | 3,944 | 4,321 | 5 | – | – | – | – |
| Deductions from tier 2 capital | (248) | (253) | (357) | (2) | – | (1) | (18) | 100 |
| **Tier 2 capital** | **10,637** | **10,100** | **10,227** | 5 | **6,735** | **6,408** | **6,245** | 5 |
| **Total eligible capital** | **58,813** | **55,637** | **56,288** | 6 | **45,540** | **43,109** | **40,209** | 6 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 194,293 | 187,967 | 175,631 | 3 | 187,734 | 181,715 | 167,888 | 3 |
| Market risk | 33,655 | 32,704 | 39,133 | 3 | 33,655 | 32,704 | 39,133 | 3 |
| Operational risk | 59,050 | 59,050 | 53,075 | 0 | 59,050 | 59,050 | 53,075 | 0 |
| Non-counterparty risk | 5,881 | 5,700 | 6,007 | 3 | 5,881 | 5,700 | 6,007 | 3 |
| **Risk-weighted assets** | **292,879** | **285,421** | **273,846** | 3 | **286,320** | **279,169** | **266,103** | 3 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 14.3 | 13.8 | 15.7 | – | 9.8 | 9.5 | 10.0 | – |
| Tier 1 ratio | 16.4 | 16.0 | 16.8 | – | 13.6 | 13.1 | 12.8 | – |
| Total capital ratio | 20.1 | 19.5 | 20.6 | – | 15.9 | 15.4 | 15.1 | – |

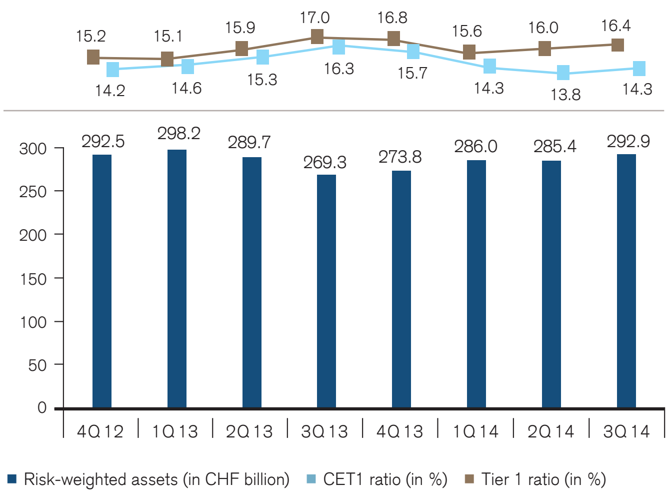
[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
[4] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.0 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.9 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 80% of goodwill and other intangible assets (CHF 6.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[7] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## BIS statistics – Basel III – Bank

| end of | 3Q14 | 2Q14 | 4Q13 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Eligible capital (CHF million)** | | | | |
| Total shareholders' equity | 41,999 | 39,199 | 39,992 | 7 |
| Regulatory adjustments [1] | (870) | (2,852) | (3,504) | (69) |
| Adjustments subject to phase-in | (1,679) [2] | (1,491) | 1,540 [3] | 13 |
| **CET1 capital** | **39,450** | **34,856** | **38,028** | 13 |
| Additional tier 1 instruments | 10,023 [4] | 9,500 | 6,644 | 6 |
| Additional tier 1 instruments subject to phase-out [5] | 2,345 | 2,138 | 3,652 | 10 |
| Deductions from additional tier 1 capital | (6,231) [6] | (5,705) | (7,219) | 9 |
| **Additional tier 1 capital** | **6,137** | **5,933** | **3,077** | 3 |
| **Total tier 1 capital** | **45,587** | **40,789** | **41,105** | 12 |
| Tier 2 instruments | 6,762 [7] | 6,409 | 6,263 | 6 |
| Tier 2 instruments subject to phase-out | 3,539 | 3,370 | 5,016 | 5 |
| Deductions from tier 2 capital | (232) | (235) | (318) | (1) |
| **Tier 2 capital** | **10,069** | **9,544** | **10,961** | 6 |
| **Total eligible capital** | **55,656** | **50,333** | **52,066** | 11 |
| **Risk-weighted assets (CHF million)** | | | | |
| Credit risk | 186,216 | 179,229 | 166,324 | 4 |
| Market risk | 33,629 | 32,676 | 39,111 | 3 |
| Operational risk | 59,050 | 59,050 | 53,075 | 0 |
| Non-counterparty risk | 5,628 | 5,449 | 5,758 | 3 |
| **Risk-weighted assets** | **284,523** | **276,404** | **264,268** | 3 |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 13.9 | 12.6 | 14.4 | – |
| Tier 1 ratio | 16.0 | 14.8 | 15.6 | – |
| Total capital ratio | 19.6 | 18.2 | 19.7 | – |

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.1 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.0 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 80% of goodwill and other intangible assets (CHF 6.2 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
7 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

### Risk-weighted assets and capital ratios – Basel III




### CET1 capital movement – Basel III

| | 3Q14 | 2Q14 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **39,453** | **40,903** |
| Net income/(loss) | 1,025 | (700) |
| Foreign exchange impact | 1,499 | 44 |
| Other [1] | (141) | (794) |
| **Balance at end of period** | **41,836** | **39,453** |

[1] Reflects the net effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

### Other regulatory disclosures

In connection with the implementation of Basel III, additional regulatory disclosures are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures and additional capital disclosures for the Bank parent company can be found on our website.

▸ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

### Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty risk RWA. When assessing RWA, it is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty risk RWA primarily reflect the capital requirements for our premises and equipment.

### Risk-weighted assets by division – Basel III

| | | | end of | % change |
|---|---|---|---|---|
| | 3Q14 | 2Q14 | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | | |
| Private Banking & Wealth Management | 106,726 | 103,537 | 95,507 | 3 |
| Investment Banking | 163,356 | 160,199 | 155,290 | 2 |
| Corporate Center | 22,797 | 21,685 | 23,049 | 5 |
| **Risk-weighted assets** | **292,879** | **285,421** | **273,846** | 3 |

## Risk-weighted asset movement by risk type – Basel III

| | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **3Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **174,057** | **13,910** | **32,704** | **59,050** | **5,700** | **285,421** |
| Foreign exchange impact | 8,547 | 484 | 1,424 | 0 | 0 | 10,455 |
| Acquisitions and disposals | (143) | 0 | 0 | 0 | 0 | (143) |
| Movements in risk levels | (704) | 521 | (557) | 0 | 181 | (559) |
| of which credit risk – book size [1] | (37) | 550 | – | – | – | – |
| of which credit risk – book quality [2] | (667) | (29) | – | – | – | – |
| Model and parameter updates [3] | 297 | (461) | (465) | 0 | 0 | (629) |
| Methodology and policy – internal [4] | (1,145) | (1,070) | 549 | 0 | 0 | (1,666) |
| **Balance at end of period** | **180,909** | **13,384** | **33,655** | **59,050** | **5,881** | **292,879** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.

RWA increased 3% from CHF 285.4 billion as of the end of 2Q14 to CHF 292.9 billion as of the end of 3Q14, reflecting a significant increase resulting from the foreign exchange impact. Excluding the foreign exchange impact, credit risk and market risk decreased.

The decrease in **credit risk (excluding CVA)** was driven by decreases from internal methodology changes, a decrease in credit risk levels and the disposal of domestic private banking business booked in Germany, partially offset by increases in model and parameter updates. Methodology changes were mainly due to the move from a pool-based measurement approach to an individual transaction measurement approach for loans collateralized by securities within Private Banking & Wealth Management. The decrease in credit risk levels reflected a decrease in book quality in Investment Banking, primarily driven by decreases in average risk weighting for over-the-counter (OTC) derivatives in equities and lending. A slight decrease in book size reflected a securitization of an OTC derivatives portfolio in Investment Banking, which was partially offset by increases in corporate loans and loans collateralized by securities in Private Banking & Wealth Management.

The decrease in **credit risk related to CVA** was primarily driven by internal methodology changes relating to the improvement of the systems and processes with respect to over-the-counter (OTC) derivatives within Investment Banking. Decreases in model and parameter updates related to a time series update of the data set. These decreases were partially offset by movements in book size risk levels due to increased exposures and hedged positions, primarily in Private Banking & Wealth Management.

The decrease in **market risk** was primarily related to Investment Banking and was driven by movements in risk levels and model and parameter updates, partially offset by an increase due to methodology changes. Decreases in risk levels were mainly due to a reduction in trading book securitization exposures. Model and parameter updates were due to market data volatility updates. These decreases were partially offset by methodology impacts primarily driven by updates to the IRC loss given default approach relating to bonds, primarily in Investment Banking.

**Operational risk** remained unchanged.

### SWISS CAPITAL METRICS

#### Swiss regulatory capital and ratios

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

As of the end of 3Q14, our Swiss CET1 capital and Swiss total capital ratios were 14.2% and 20.0%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 27.8 billion and our Swiss CET1 ratio was 9.7% as of the end of 3Q14. Our Swiss total eligible capital was CHF 45.4 billion and our Swiss total capital ratio was 15.8% as of the end of 3Q14, each on a look-through basis.

## Swiss statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | % change QoQ | **3Q14** | 2Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 41,836 | 39,453 | 42,989 | 6 | 27,921 | 26,419 | 26,480 | 6 |
| Swiss regulatory adjustments [1] | (126) | (161) | 1,658 | (22) | (135) | (175) | 1,824 | (23) |
| **Swiss CET1 capital [2]** | **41,710** | **39,292** | **44,647** | 6 | **27,786** | **26,244** | **28,304** | 6 |
| High-trigger capital instruments | 8,654 [3] | 8,259 | 7,743 | 5 | 8,654 | 8,259 | 7,743 | 5 |
| Low-trigger capital instruments | 8,965 [4] | 8,432 | 6,005 | 6 | 8,965 | 8,432 | 6,005 | 6 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,495 | 6,082 | – | 7 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (7,137) | (6,589) | – | 8 | – | (1) | – | 100 |
| **Swiss total eligible capital [2]** | **58,687** | **55,476** | **58,395** | 6 | **45,405** | **42,934** | **42,052** | 6 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 292,879 | 285,421 | 273,846 | 3 | 286,320 | 279,169 | 266,103 | 3 |
| Swiss regulatory adjustments [6] | 950 | 787 | 1,015 | 21 | 949 | 786 | 1,031 | 21 |
| **Swiss risk-weighted assets** | **293,829** | **286,208** | **274,861** | 3 | **287,269** | **279,955** | **267,134** | 3 |
| **Swiss capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 14.2 | 13.7 | 16.2 | – | 9.7 | 9.4 | 10.6 | – |
| Swiss total capital ratio | 20.0 | 19.4 | 21.2 | – | 15.8 | 15.3 | 15.7 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 6.0 billion additional tier 1 instruments and CHF 2.6 billion tier 2 instruments.
4 Consists of CHF 4.9 billion additional tier 1 instruments and CHF 4.1 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

## Swiss statistics – Basel III – Bank

| | Phase-in | | | |
|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | |
| CET1 capital | 39,450 | 34,856 | 38,028 | 13 |
| Swiss regulatory adjustments [1] | (104) | (96) | 1,711 | 8 |
| **Swiss CET1 capital [2]** | **39,346** | **34,760** | **39,739** | 13 |
| High-trigger capital instruments | 8,700 [3] | 8,256 | 7,743 | 5 |
| Low-trigger capital instruments | 8,085 [4] | 7,653 | 5,164 | 6 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 5,884 | 5,507 | – | 7 |
| Deductions from additional tier 1 and tier 2 capital [5] | (6,463) | (5,940) | – | 9 |
| **Swiss total eligible capital [2]** | **55,552** | **50,236** | **52,646** | 11 |
| **Risk-weighted assets (CHF million)** | | | | |
| Risk-weighted assets – Basel III | 284,523 | 276,404 | 264,268 | 3 |
| Swiss regulatory adjustments [6] | 941 | 788 | 1,020 | 19 |
| **Swiss risk-weighted assets** | **285,464** | **277,192** | **265,288** | 3 |
| **Swiss capital ratios (%)** | | | | |
| Swiss CET1 ratio | 13.8 | 12.5 | 15.0 | – |
| Swiss total capital ratio | 19.5 | 18.1 | 19.8 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 6.1 billion additional tier 1 instruments and CHF 2.6 billion tier 2 instruments.
4 Consists of CHF 4.0 billion additional tier 1 instruments and CHF 4.1 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

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

## Swiss capital requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 3Q14 | Minimum component | Buffer component | Progressive component | Excess | 3Q14 |
| **Risk-weighted assets (CHF billion)** | | | | | | | | | | |
| **Swiss risk-weighted assets** | – | – | – | – | 293.8 | – | – | – | – | 285.5 |
| **2014 Swiss capital requirements** [1] | | | | | | | | | | |
| Minimum Swiss total capital ratio | 4.0% | 4.5% [2] | 1.68% | – | 10.18% | 4.0% | 4.5% [2] | 1.68% | – | 10.18% |
| Minimum Swiss total eligible capital (CHF billion) | 11.8 | 13.2 | 4.9 | – | 29.9 | 11.4 | 12.8 | 4.8 | – | 29.0 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 11.8 | 8.1 | – | 21.9 | 41.7 | 11.4 | 7.9 | – | 20.1 | 39.3 |
| High-trigger capital instruments | – | 5.1 | – | 3.5 | 8.7 | – | 5.0 | – | 3.7 | 8.7 |
| Low-trigger capital instruments | – | – | 4.9 | 4.0 | 9.0 | – | – | 4.8 | 3.3 | 8.1 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.5 | 6.5 | – | – | – | 5.9 | 5.9 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (7.1) | (7.1) | – | – | – | (6.5) | (6.5) |
| **Swiss total eligible capital** | **11.8** | **13.2** | **4.9** | **28.8** | **58.7** | **11.4** | **12.8** | **4.8** | **26.5** | **55.6** |
| **Swiss capital ratios (%)** | | | | | | | | | | |
| Swiss total capital ratio | **4.0%** | **4.5%** | **1.68%** | **9.8%** | **20.0%** | **4.0%** | **4.5%** | **1.68%** | **9.3%** | **19.5%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes countercyclical buffer that was required as of September 30, 2013.

### Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons. As of the end of 3Q14, our Swiss leverage ratio was 4.9% and the total average exposure was CHF 1,204.7 billion. As of the end of 3Q14, our total exposure was CHF 1,240 billion, compared to our target of approximately CHF 1,050 billion by end-2015, on a foreign exchange adjusted basis.

The Group's look-through Swiss leverage ratio was 3.8% as of the end of 3Q14, compared to the current 4% requirement effective 2019, reflecting our progressive component requirement for 2014. For 2015, the Swiss leverage ratio requirement effective 2019 will be 4.09%.

## Swiss leverage ratio – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | 3Q14 | 2Q14 | 4Q13 | % change QoQ | 3Q14 | 2Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | | | |
| **Swiss total eligible capital** | **58,687** | **55,476** | **58,395** | 6 | **45,405** | **42,934** | **42,052** | 6 |
| **Exposure (CHF million)** [1] | | | | | | | | |
| Balance sheet assets | 923,155 | 888,069 | 890,242 | 4 | 923,155 | 888,069 | 890,242 | 4 |
| Off-balance sheet exposures | 152,617 | 144,668 | 133,426 | 5 | 152,617 | 144,668 | 133,426 | 5 |
| Regulatory adjustments | 128,977 | 126,479 | 130,150 | 2 | 114,868 | 112,592 | 113,596 | 2 |
| **Total average exposure** | **1,204,749** | **1,159,216** | **1,153,818** | 4 | **1,190,640** | **1,145,329** | **1,137,264** | 4 |
| **Swiss leverage ratio (%)** | | | | | | | | |
| Swiss leverage ratio | **4.9** | **4.8** | **5.1** | – | **3.8** | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## Swiss leverage ratio – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | 3Q14 | 2Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | |
| **Swiss total eligible capital** | **55,552** | **50,236** | **52,646** | 11 |
| **Exposure (CHF million)** [1] | | | | |
| Balance sheet assets | 904,379 | 869,051 | 872,097 | 4 |
| Off-balance sheet exposures | 151,679 | 143,731 | 132,567 | 6 |
| Regulatory adjustments | 127,761 | 125,255 | 127,795 | 2 |
| **Total average exposure** | **1,183,819** | **1,138,037** | **1,132,459** | **4** |
| **Swiss leverage ratio (%)** | | | | |
| Swiss leverage ratio | **4.7** | **4.4** | **4.6** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

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

## Swiss leverage requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 3Q14 | Minimum component | Buffer component | Progressive component | Excess | 3Q14 |
| **Exposure (CHF billion)** | | | | | | | | | | |
| **Total average exposure** | **–** | **–** | **–** | **–** | **1,204.7** | **–** | **–** | **–** | **–** | **1,183.8** |
| **2014 Swiss leverage requirements** [1] | | | | | | | | | | |
| Minimum Swiss leverage ratio | 0.96% | 1.08% | 0.40% | – | 2.44% | 0.96% | 1.08% | 0.40% | – | 2.44% |
| Minimum Swiss leverage (CHF billion) | 11.6 | 13.0 | 4.8 | – | 29.4 | 11.4 | 12.8 | 4.8 | – | 28.9 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 11.6 | 8.0 | – | 22.2 | 41.7 | 11.4 | 7.8 | – | 20.2 | 39.3 |
| High-trigger capital instruments | – | 5.1 | – | 3.6 | 8.7 | – | 5.0 | – | 3.7 | 8.7 |
| Low-trigger capital instruments | – | – | 4.8 | 4.1 | 9.0 | – | – | 4.8 | 3.3 | 8.1 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.5 | 6.5 | – | – | – | 5.9 | 5.9 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (7.1) | (7.1) | – | – | – | (6.5) | (6.5) |
| **Swiss total eligible capital** | **11.6** | **13.0** | **4.8** | **29.3** | **58.7** | **11.4** | **12.8** | **4.8** | **26.6** | **55.6** |
| **Swiss leverage ratio (%)** | | | | | | | | | | |
| **Swiss leverage ratio** | **0.96%** | **1.08%** | **0.40%** | **2.43%** | **4.87%** | **0.96%** | **1.08%** | **0.40%** | **2.25%** | **4.69%** |

Rounding differences may occur.
[1] The leverage requirements are based on a percentage of total average exposure.

### Total shareholders' equity

Our total shareholders' equity increased to CHF 43.9 billion as of the end of 3Q14 compared to CHF 40.9 billion as of the end of 2Q14. Total shareholders' equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, net income and an increase to the share-based compensation obligation. These movements were partially offset by transactions relating to the hedging of share-based compensation awards.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

## Capital

| | | | end of | % change |
|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | QoQ |
| **Shareholders' equity (CHF million)** | | | | |
| Common shares | 64 | 64 | 64 | 0 |
| Additional paid-in capital | 26,851 | 26,655 | 27,853 | 1 |
| Retained earnings | 31,417 | 30,392 | 30,261 | 3 |
| Treasury shares, at cost | (163) | (190) | (139) | (14) |
| Accumulated other comprehensive income/(loss) | (14,305) | (15,977) | (15,875) | (10) |
| **Total shareholders' equity** | **43,864** | **40,944** | **42,164** | 7 |
| Goodwill | (8,435) | (7,983) | (7,999) | 6 |
| Other intangible assets | (251) | (245) | (210) | 2 |
| **Tangible shareholders' equity** [1] | **35,178** | **32,716** | **33,955** | 8 |
| **Shares outstanding (million)** | | | | |
| Common shares issued | 1,607.2 | 1,607.2 | 1,596.1 | 0 |
| Treasury shares | (6.4) | (7.2) | (5.2) | (11) |
| **Shares outstanding** | **1,600.8** | **1,600.0** | **1,590.9** | 0 |
| **Par value (CHF)** | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | | |
| **Total book value per share** | **27.40** | **25.59** | **26.50** | 7 |
| Goodwill per share | (5.27) | (4.99) | (5.03) | 6 |
| Other intangible assets per share | (0.15) | (0.15) | (0.13) | 0 |
| **Tangible book value per share** [1] | **21.98** | **20.45** | **21.34** | 7 |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 3Q14, overall position risk increased 3%, utilized economic capital increased 3%, average risk management VaR in US dollars increased 4% and gross impaired loans were stable at CHF 1.5 billion.

## ECONOMIC CAPITAL AND POSITION RISK

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating).

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes, prior-period balances are restated in order to show meaningful trends.

In 3Q14, there were no significant changes to the position risk methodology for risk management purposes.

For utilized economic capital used for capital management purposes, we increased our other risks charge to reflect a recalibration of our economic capital model reserve component to account for upcoming methodology changes. The net impact from the change of the model reserve component on utilized economic capital for the Group as of the end of 2Q14 was an increase of CHF 460 million, or 1.4%.

‣ Refer to “Economic capital and position risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on economic capital and position risk.

### Key position risk trends

Position risk for risk management purposes as of the end of 3Q14 increased 3% compared to the end of 2Q14. Excluding the US dollar translation impact, position risk decreased 4%, mainly due to lower exposures in Latin America in emerging markets country event risk and reduced traded credit spread and interest rate exposures in fixed income trading.

### Position risk

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Position risk (CHF million)** | | | | | | | |
| Fixed income trading [1] | 1,706 | 1,826 | 1,776 | 1,388 | (7) | (4) | 23 |
| Equity trading & investments | 1,563 | 1,486 | 1,614 | 1,496 | 5 | (3) | 4 |
| Private banking corporate & retail lending | 2,503 | 2,430 | 2,350 | 2,404 | 3 | 7 | 4 |
| International lending & counterparty exposures | 5,985 | 5,555 | 4,957 | 4,801 | 8 | 21 | 25 |
| Emerging markets country event risk | 1,022 | 1,319 | 1,412 | 1,046 | (23) | (28) | (2) |
| Real estate & structured assets [2] | 2,346 | 2,129 | 2,037 | 1,881 | 10 | 15 | 25 |
| **Simple sum across risk categories** | **15,125** | **14,745** | **14,146** | **13,016** | 3 | 7 | 16 |
| Diversification benefit [3] | (2,785) | (2,722) | (2,782) | (2,360) | 2 | 0 | 18 |
| **Position risk (99% confidence level for risk management purposes)** | **12,340** | **12,023** | **11,364** | **10,656** | 3 | 9 | 16 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
1 This category comprises fixed income trading, foreign exchange and commodity exposures.
2 This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.
3 Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Compared to the end of 3Q13, position risk for risk management purposes increased 16%. Excluding the US dollar translation impact, position risk increased 11%, mainly due to new loan commitments in Investment Banking in international lending & counterparty exposures, higher risk in real estate & structured assets, mainly related to an increase in commercial mortgage-backed securities (CMBS) exposures, and increased risk in fixed income trading, primarily from higher foreign exchange exposures.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | | | in / end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Economic capital resources (CHF million)** | | | | | | | |
| Look-through CET1 capital (Basel III) | 27,921 | 26,419 | 26,480 | 26,617 | 6 | 5 | 5 |
| Economic adjustments [1] | 10,038 | 9,236 | 11,464 | 9,170 | 9 | (12) | 9 |
| **Economic capital resources** | **37,959** | **35,655** | **37,944** | **35,787** | 6 | 0 | 6 |
| **Utilized economic capital (CHF million)** | | | | | | | |
| Position risk (99.97% confidence level) | 21,465 | 21,012 | 19,988 | 18,702 | 2 | 7 | 15 |
| Operational risk | 5,343 | 5,343 | 4,731 | 4,586 | 0 | 13 | 17 |
| Other risks [2] | 6,416 | 5,871 | 7,047 | 7,074 | 9 | (9) | (9) |
| **Utilized economic capital** | **33,224** | **32,226** | **31,766** | **30,362** | 3 | 5 | 9 |
| **Utilized economic capital by segment (CHF million)** | | | | | | | |
| Private Banking & Wealth Management | 9,738 | 9,303 | 9,447 | 9,657 | 5 | 3 | 1 |
| Investment Banking | 21,490 | 20,752 | 20,083 | 18,458 | 4 | 7 | 16 |
| Corporate Center [3] | 2,016 | 2,190 | 2,256 | 2,267 | (8) | (11) | (11) |
| **Utilized economic capital – Credit Suisse** [4] | **33,224** | **32,226** | **31,766** | **30,362** | 3 | 5 | 9 |
| **Average utilized economic capital by segment (CHF million)** | | | | | | | |
| Private Banking & Wealth Management | 9,520 | 9,371 | 9,552 | 9,768 | 2 | 0 | (3) |
| Investment Banking | 21,121 | 20,233 | 19,270 | 19,206 | 4 | 10 | 10 |
| Corporate Center [3] | 2,103 | 2,197 | 2,262 | 2,265 | (4) | (7) | (7) |
| **Average utilized economic capital – Credit Suisse** [5] | **32,725** | **31,782** | **31,064** | **31,218** | 3 | 5 | 5 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

1 Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

2 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

3 Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

4 Includes a diversification benefit of CHF 20 million, CHF 19 million, CHF 20 million and CHF 20 million as of the end of 3Q14, 2Q14, 4Q13 and 3Q13, respectively.

5 Includes a diversification benefit of CHF 19 million, CHF 19 million, CHF 20 million and CHF 21 million as of the end of 3Q14, 2Q14, 4Q13 and 3Q13, respectively.

### Utilized economic capital trends

In 3Q14, our utilized economic capital increased 3% compared to the end of 2Q14. Excluding the US dollar translation impact, utilized economic capital decreased 2%, mainly due to reduced position risk in Investment Banking.

For Private Banking & Wealth Management, utilized economic capital increased 5%, mainly due to increased position risk in equity trading & investments and in private banking corporate & retail lending.

For Investment Banking, utilized economic capital increased 4%. Excluding the US dollar translation impact, utilized economic capital decreased 3%, mainly due to reduced position risk in emerging markets country event risk and fixed income trading.

For Corporate Center, utilized economic capital decreased 8%, mainly due to a decrease in the foreign exchange risk between economic capital resources and utilized economic capital.

## MARKET RISK

### Trading portfolios

We primarily assume market risk through the trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations. Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

Trading risks are measured using VaR along with a number of other risk measurement tools. VaR measures the potential loss in fair value of trading positions due to adverse market movements over a defined time horizon at a specified confidence level. VaR relies on historical data and is considered a useful tool for estimating potential loss in normal markets in which there are no abrupt changes in market conditions. We use risk management VaR for internal risk management purposes and regulatory VaR for regulatory capital purposes. For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. Our VaR methodology is the same for both VaR measures, except for the confidence levels and holding periods. Other tools, including stress testing, are more appropriate for modeling the impact from severe market conditions.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 3Q14, there were no material changes to the VaR methodology.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes an IRC, stressed VaR and, since January 1, 2013, consideration of the impact of changes in a counterparty's credit spreads (also known as CVA).

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information.

In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR increased 4% to USD 47 million from 2Q14, driven by an increase in equity and credit spread exposures as well as higher market volatility. Compared to 3Q13, average risk management VaR increased 7%, mainly due to an increase in equity exposures, partially offset by reduced interest rate and credit spread exposures.

Period-end risk management VaR decreased 15% to USD 44 million from 2Q14, mainly reflecting reductions in equity exposures. Compared to 3Q13, period-end risk management VaR increased 13%, mainly reflecting increased equity and foreign exchange exposures.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | Total | Total |
| **3Q14 (CHF million)** | | | | | | | | |
| Average | 12 | 32 | 10 | 1 | 18 | (30) | 43 | 31 |
| Minimum | 10 | 29 | 6 | 1 | 14 | – [1] | 38 | 24 |
| Maximum | 15 | 35 | 15 | 2 | 23 | – [1] | 56 | 37 |
| End of period | 11 | 35 | 11 | 1 | 18 | (34) | 42 | 31 |
| **2Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 30 | 8 | 2 | 16 | (29) | 40 | 30 |
| Minimum | 11 | 28 | 5 | 1 | 13 | – [1] | 35 | 25 |
| Maximum | 16 | 33 | 12 | 3 | 22 | – [1] | 46 | 36 |
| End of period | 12 | 32 | 7 | 2 | 20 | (27) | 46 | 31 |
| **3Q13 (CHF million)** | | | | | | | | |
| Average | 14 | 34 | 9 | 2 | 14 | (32) | 41 | 36 |
| Minimum | 11 | 31 | 3 | 1 | 11 | – [1] | 33 | 27 |
| Maximum | 19 | 39 | 17 | 4 | 20 | – [1] | 48 | 52 |
| End of period | 11 | 34 | 6 | 2 | 14 | (32) | 35 | 28 |

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

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | Total | Total |
| **3Q14 (USD million)** | | | | | | | | |
| Average | 13 | 35 | 11 | 1 | 20 | (33) | 47 | 33 |
| Minimum | 11 | 33 | 7 | 1 | 16 | – [1] | 42 | 27 |
| Maximum | 17 | 37 | 16 | 3 | 25 | – [1] | 59 | 39 |
| End of period | 12 | 36 | 11 | 1 | 19 | (35) | 44 | 33 |
| **2Q14 (USD million)** | | | | | | | | |
| Average | 14 | 34 | 9 | 2 | 18 | (32) | 45 | 34 |
| Minimum | 12 | 31 | 6 | 1 | 15 | – [1] | 40 | 28 |
| Maximum | 18 | 37 | 14 | 3 | 24 | – [1] | 52 | 41 |
| End of period | 14 | 36 | 8 | 3 | 23 | (32) | 52 | 35 |
| **3Q13 (USD million)** | | | | | | | | |
| Average | 15 | 36 | 10 | 2 | 15 | (34) | 44 | 39 |
| Minimum | 13 | 32 | 4 | 1 | 12 | – [1] | 35 | 30 |
| Maximum | 20 | 42 | 18 | 4 | 22 | – [1] | 51 | 54 |
| End of period | 13 | 37 | 7 | 2 | 16 | (36) | 39 | 31 |

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

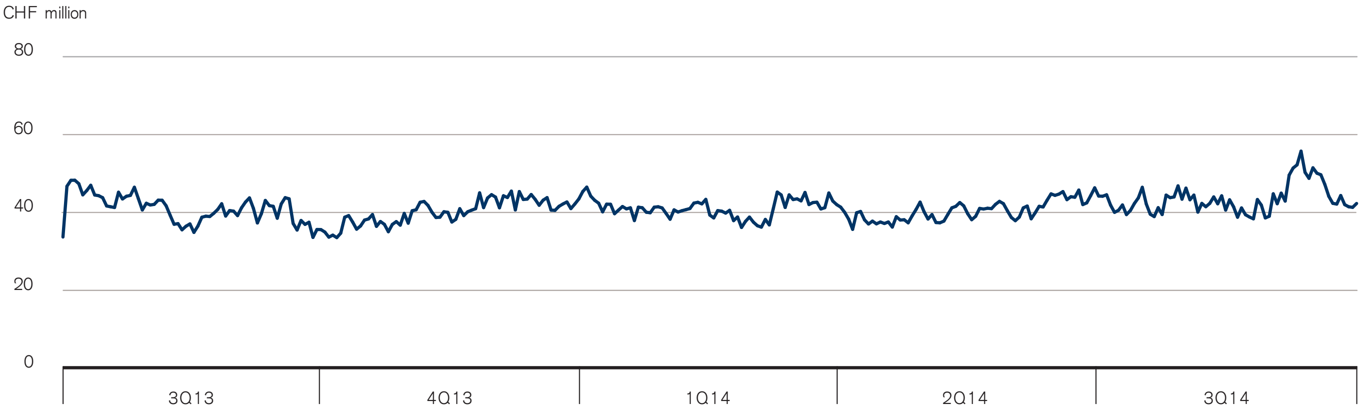
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in 3Q14 and in the 12-month-period through 3Q14. Since there were fewer than five backtesting exceptions in the rolling 12-month period through 2Q14, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, cancellations and terminations.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

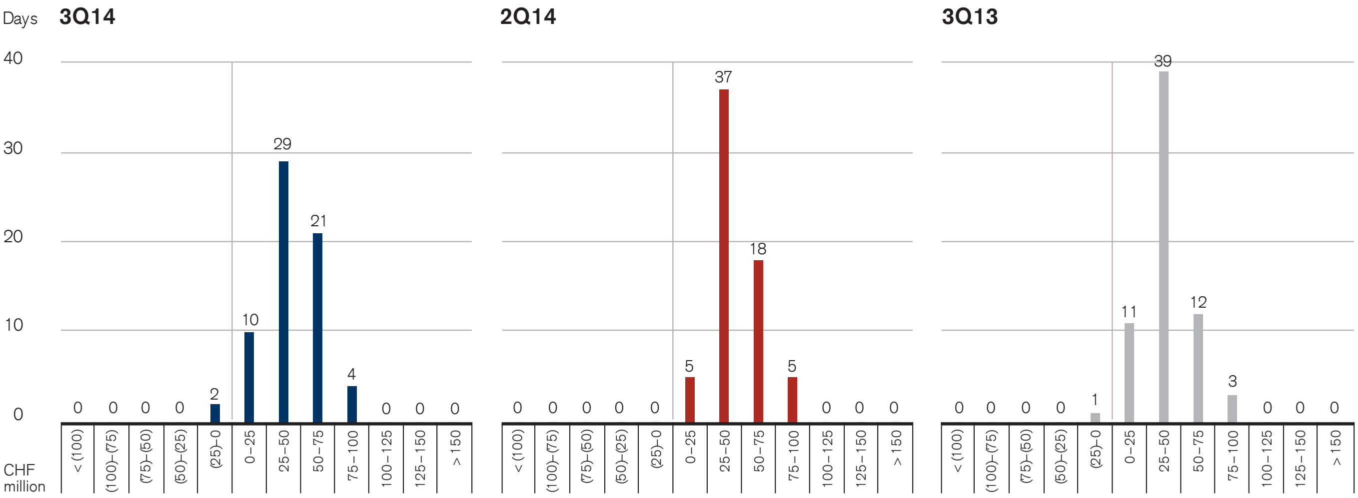
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 3Q14 with those for 2Q14 and 3Q13. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. We had two trading loss days in 3Q14 and no trading loss days in 2Q14.

## Daily risk management VaR




Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking portfolios

We assume non-trading interest rate risk through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to a valuation increase of CHF 5.9 million as of the end of 3Q14, compared to a valuation increase of CHF 5.1 million as of the end of 2Q14.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

### Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on credit risk.

▸ Refer to "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

### Credit risk overview

The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client.

## Credit risk

| | end of | | | | % change | | |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Balance sheet (CHF million)** | | | | | | | |
| Gross loans | 266,181 | 255,472 | 248,014 | 246,200 | 4 | 7 | 8 |
| Loans held-for-sale | 22,073 | 19,755 | 18,914 | 17,663 | 12 | 17 | 25 |
| Traded loans | 10,424 | 7,343 | 6,397 | 5,884 | 42 | 63 | 77 |
| Derivative instruments [1] | 39,416 | 33,057 | 33,665 | 39,129 | 19 | 17 | 1 |
| **Total balance sheet** | **338,094** | **315,627** | **306,990** | **308,876** | 7 | 10 | 9 |
| **Off-balance sheet (CHF million)** | | | | | | | |
| Irrevocable loan commitments [2] | 119,053 | 108,685 | 96,990 | 96,194 | 10 | 23 | 24 |
| Credit guarantees and similar instruments | 4,455 | 4,161 | 4,214 | 12,457 | 7 | 6 | (64) |
| Irrevocable commitments under documentary credits | 5,372 | 4,644 | 5,512 | 5,574 | 16 | (3) | (4) |
| **Total off-balance sheet** | **128,880** | **117,490** | **106,716** | **114,225** | 10 | 21 | 13 |
| **Total credit risk** | **466,974** | **433,117** | **413,706** | **423,101** | 8 | 13 | 10 |

Before risk mitigation, for example, collateral and credit hedges.

1 Positive replacement value after netting agreements.

2 Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client.

## Loans

| | Private Banking & Wealth Management | | | Investment Banking | | | Credit Suisse [1] | | |
|---|---|---|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Loans (CHF million)** | | | | | | | | | |
| Mortgages | 97,842 | 96,915 | 94,369 | 0 | 0 | 0 | 97,842 | 96,915 | 94,369 |
| Loans collateralized by securities | 38,213 | 35,882 | 30,872 | 0 | 0 | 0 | 38,213 | 35,882 | 30,872 |
| Consumer finance | 5,356 | 5,198 | 5,942 | 241 | 240 | 287 | 5,597 | 5,438 | 6,229 |
| Consumer | 141,411 | 137,995 | 131,183 | 241 | 240 | 287 | 141,652 | 138,235 | 131,470 |
| Real estate | 26,968 | 26,573 | 25,628 | 1,344 | 695 | 860 | 28,312 | 27,268 | 26,488 |
| Commercial and industrial loans | 56,881 | 52,461 | 49,018 | 14,567 | 13,244 | 14,194 | 71,478 | 65,734 | 63,236 |
| Financial institutions | 7,348 | 7,817 | 7,804 | 13,962 | 13,241 | 14,314 | 21,310 | 21,058 | 22,118 |
| Governments and public institutions | 1,148 | 1,168 | 1,262 | 2,281 | 2,009 | 1,626 | 3,429 | 3,177 | 2,888 |
| Corporate & institutional | 92,345 [2] | 88,019 [2] | 83,712 [2] | 32,154 | 29,189 | 30,994 | 124,529 | 117,237 | 114,730 |
| **Gross loans** | **233,756** | **226,014** | **214,895** | **32,395** | **29,429** | **31,281** | **266,181** | **255,472** | **246,200** |
| of which held at fair value | 238 | 224 | 231 | 21,360 | 19,673 | 18,792 | 21,598 | 19,897 | 19,023 |
| Net (unearned income) / deferred expenses | (108) | (98) | (77) | (19) | (21) | (20) | (127) | (119) | (97) |
| Allowance for loan losses [3] | (646) | (673) | (723) | (161) | (144) | (146) | (811) | (821) | (871) |
| **Net loans** | **233,002** | **225,243** | **214,095** | **32,215** | **29,264** | **31,115** | **265,243** | **254,532** | **245,232** |
| **Impaired loans (CHF million)** | | | | | | | | | |
| Non-performing loans | 612 | 613 | 645 | 239 | 234 | 246 | 854 | 851 | 893 |
| Non-interest-earning loans | 315 | 286 | 301 | 0 | 0 | 1 | 315 | 286 | 302 |
| Total non-performing and non-interest-earning loans | 927 | 899 | 946 | 239 | 234 | 247 | 1,169 | 1,137 | 1,195 |
| Restructured loans | 159 | 83 | 0 | 3 | 0 | 19 | 162 | 83 | 19 |
| Potential problem loans | 146 | 252 | 324 | 9 | 0 | 0 | 155 | 252 | 324 |
| Total other impaired loans | 305 | 335 | 324 | 12 | 0 | 19 | 317 | 335 | 343 |
| **Gross impaired loans [3]** | **1,232** | **1,234** | **1,270** | **251** | **234** | **266** | **1,486** | **1,472** | **1,538** |
| of which loans with a specific allowance | 1,079 | 1,097 | 1,189 | 245 | 219 | 239 | 1,327 | 1,320 | 1,430 |
| of which loans without a specific allowance | 153 | 137 | 81 | 6 | 15 | 27 | 159 | 152 | 108 |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period [3]** | **673** | **719** | **757** | **144** | **143** | **141** | **821** | **866** | **900** |
| Change in scope of consolidation | 0 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Net movements recognized in statements of operations | 24 | 24 | 34 | 3 | (2) | 9 | 27 | 22 | 43 |
| Gross write-offs | (71) | (91) | (72) | (5) | (1) | (1) | (76) | (92) | (73) |
| Recoveries | 6 | 18 | 10 | 2 | 1 | 2 | 8 | 19 | 12 |
| Net write-offs | (65) | (73) | (62) | (3) | 0 | 1 | (68) | (73) | (61) |
| Provisions for interest | 1 | 0 | 4 | 5 | 3 | 3 | 6 | 3 | 7 |
| Foreign currency translation impact and other adjustments, net | 13 | 3 | (9) | 12 | 0 | (8) | 25 | 3 | (17) |
| **Balance at end of period [3]** | **646** | **673** | **723** | **161** | **144** | **146** | **811** | **821** | **871** |
| of which individually evaluated for impairment | 473 | 500 | 536 | 127 | 109 | 109 | 604 | 613 | 647 |
| of which collectively evaluated for impairment | 173 | 173 | 187 | 34 | 35 | 37 | 207 | 208 | 224 |
| **Loan metrics (%)** | | | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [4] | 0.4 | 0.4 | 0.4 | 2.2 | 2.4 | 2.0 | 0.5 | 0.5 | 0.5 |
| Gross impaired loans / Gross loans [4] | 0.5 | 0.5 | 0.6 | 2.3 | 2.4 | 2.1 | 0.6 | 0.6 | 0.7 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [3] | 69.7 | 74.9 | 76.4 | 67.4 | 61.5 | 59.1 | 69.4 | 72.2 | 72.9 |
| Allowance for loan losses / Gross impaired loans [3] | 52.4 | 54.5 | 56.9 | 64.1 | 61.5 | 54.9 | 54.6 | 55.8 | 56.6 |

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
[2] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 75,504 million, CHF 72,316 million and CHF 65,953 million as of the end of 3Q14, 2Q14 and 3Q13, respectively.
[3] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
[4] Excludes loans carried at fair value.

## Loan exposure

Compared to the end of 2Q14, gross loans increased CHF 10.7 billion to CHF 266.2 billion. In Private Banking & Wealth Management, gross loans were CHF 233.8 billion, up CHF 7.7 billion from 2Q14, reflecting increased lending driven by commercial and industrial loans, loans collateralized by securities, residential mortgages and the US dollar translation impact, partially offset by lower loans to financial institutions. Gross loans in Investment Banking increased CHF 3.0 billion to CHF 32.4 billion, primarily reflecting the US dollar translation impact and an increase in loans to the real estate sector.

Gross impaired loans were stable at CHF 1.5 billion. In Private Banking & Wealth Management, gross impaired loans were stable at CHF 1,232 million and mainly reflected the restructuring of potential problem loans. In Investment Banking, gross impaired loans increased CHF 17 million to CHF 251 million, mainly related to the US dollar translation impact. An increase from a new potential problem loan was offset by the repayment of a non-performing loan.

We recorded net provisions for credit losses of CHF 59 million in 3Q14, compared to CHF 18 million in 2Q14, with net provisions of CHF 36 million in Investment Banking and CHF 25 million in Private Banking & Wealth Management.

Compared to the end of 3Q13, gross loans increased 8%. An increase in Private Banking & Wealth Management of 9% was primarily due to higher commercial and industrial loans, an increase in loans collateralized by securities, higher residential mortgages, higher loans to the real estate sector and the US dollar translation impact, partially offset by a decrease in consumer finance and lower loans to financial institutions. In Investment Banking, an increase of 4% was driven by the US dollar translation impact and higher loans to governments and public institutions and to the real estate sector, partially offset by lower loans to financial institutions and a decrease in commercial and industrial loans. Gross impaired loans decreased 3% driven by decreases in potential problem and non-performing loans in Private Banking & Wealth Management, mainly due to write-offs and the restructuring of loans, and lower restructured loans in Investment Banking, partially offset by increases in restructured loans in Private Banking & Wealth Management and higher potential problem loans in Investment Banking.

## Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table and the related description of developments is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps (TRS)).

## Selected European credit risk exposures

| end of 3Q14 | Gross credit risk exposure | Risk mitigation CDS | Risk mitigation Other [1] | Net credit risk exposure | Inventory [2] | Net synthetic inventory [3] | Total credit risk exposure Gross | Total credit risk exposure Net |
|---|---|---|---|---|---|---|---|---|
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.5 | 0.0 | 0.4 | 0.1 | 0.0 | (0.1) | 0.5 | 0.1 |
| **Total** | **0.5** | **0.0** | **0.4** | **0.1** | **0.0** | **(0.1)** | **0.5** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.7 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.7** | **0.0** | **0.0** | **0.0** | **0.7** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Corporates & other | 0.7 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 |
| **Total** | **0.8** | **0.0** | **0.8** | **0.0** | **0.0** | **0.0** | **0.8** | **0.0** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 1.2 | 0.0 | 0.6 | 0.6 | 0.1 | 0.0 | 1.3 | 0.7 |
| Corporates & other | 0.8 | 0.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.8 | 0.1 |
| **Total** | **2.0** | **0.0** | **1.3** | **0.7** | **0.1** | **0.0** | **2.1** | **0.8** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 4.0 | 3.2 | 0.4 | 0.4 | 0.1 | (0.3) | 4.1 | 0.5 |
| Financial institutions | 1.5 | 0.0 | 0.9 | 0.6 | 0.2 | 0.1 | 1.7 | 0.8 |
| Corporates & other | 2.7 | 0.2 | 2.0 | 0.5 | 0.1 | (0.2) | 2.8 | 0.6 |
| **Total** | **8.2** | **3.4** | **3.3** | **1.5** | **0.4** | **(0.4)** | **8.6** | **1.9** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.2** | **0.0** | **0.5** | **0.2** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.2 | 0.2 |
| Financial institutions | 0.8 | 0.0 | 0.4 | 0.4 | 0.5 | 0.2 | 1.3 | 0.9 |
| Corporates & other | 1.9 | 0.1 | 1.3 | 0.5 | 0.1 | (0.1) | 2.0 | 0.6 |
| **Total** | **2.7** | **0.1** | **1.7** | **0.9** | **0.8** | **0.2** | **3.5** | **1.7** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.6 | 3.2 | 0.9 | 0.5 | 0.3 | (0.3) | 4.9 | 0.8 |
| Financial institutions | 3.7 | 0.0 | 2.1 | 1.6 | 0.9 | 0.3 | 4.6 | 2.5 |
| Corporates & other | 6.9 | 0.3 | 5.5 | 1.1 | 0.3 | (0.3) | 7.2 | 1.4 |
| **Total** | **15.2** | **3.5** | **8.5** | **3.2** | **1.5** | **(0.3)** | **16.7** | **4.7** |

1 Includes other hedges (derivative instruments), guarantees, insurance and collateral.
2 Represents long inventory positions netted at issuer level.
3 Substantially all of which results from CDS; represents long positions net of short positions.

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain as of the end of 3Q14 was EUR 4.9 billion, up from EUR 4.8 billion as of the end of 2Q14. Our net exposure to these sovereigns was EUR 0.8 billion, down from EUR 1.0 billion compared to the end of 2Q14. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 3Q14 included net exposure to financial institutions of EUR 2.5 billion and to corporates and other counterparties of EUR 1.4 billion, compared to EUR 2.8 billion and EUR 1.6 billion, respectively, as of the end of 2Q14. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

### Sovereign debt rating developments

In 3Q14, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Standard & Poor's increased Greece's rating to B from B–. Fitch decreased Croatia's rating to BB from BB+, increased Greece's rating to B from B– and increased Ireland's rating to A– from BBB+. Moody's increased Greece's rating to Caa1 from Caa3 and Portugal's rating to Ba1 from Ba2. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## OPERATIONAL RISK

Effective January 1, 2014, we have implemented a revised FINMA-approved internal advanced measurement approach (AMA) model to calculate the regulatory capital requirement for operational risk. The AMA capital calculation includes all litigation-related provisions and also an add-on component relating to the aggregate range of the reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions.

▸ Refer to "Operational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on the revised AMA model used for regulatory capital calculation.

Following the changes in 2Q14, capital required for operational risk in 3Q14 remained stable with no updates to the AMA model.

# Balance sheet and off-balance sheet

Total assets were CHF 954.4 billion, total liabilities were CHF 909.4 billion and total equity was CHF 45.0 billion. Both total assets and total liabilities were up 7% for the quarter due to the foreign exchange translation impact and higher operating activities. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## Balance sheet summary

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Assets (CHF million)** | | | | | | | |
| Cash and due from banks | 78,119 | 66,469 | 68,692 | 69,600 | 18 | 14 | 12 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 187,261 | 165,744 | 160,022 | 161,876 | 13 | 17 | 16 |
| Trading assets | 245,829 | 235,427 | 229,413 | 244,422 | 4 | 7 | 1 |
| Net loans | 265,243 | 254,532 | 247,054 | 245,232 | 4 | 7 | 8 |
| Brokerage receivables | 61,519 | 56,309 | 52,045 | 56,699 | 9 | 18 | 9 |
| All other assets | 116,391 | 113,099 | 115,580 | 117,340 | 3 | 1 | (1) |
| **Total assets** | **954,362** | **891,580** | **872,806** | **895,169** | 7 | 9 | 7 |
| **Liabilities and equity (CHF million)** | | | | | | | |
| Due to banks | 30,548 | 26,701 | 23,108 | 27,481 | 14 | 32 | 11 |
| Customer deposits | 363,220 | 346,296 | 333,089 | 328,244 | 5 | 9 | 11 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 89,905 | 88,066 | 94,032 | 94,193 | 2 | (4) | (5) |
| Trading liabilities | 77,902 | 75,129 | 76,635 | 92,350 | 4 | 2 | (16) |
| Long-term debt | 163,676 | 143,827 | 130,042 | 128,821 | 14 | 26 | 27 |
| Brokerage payables | 76,708 | 68,842 | 73,154 | 78,445 | 11 | 5 | (2) |
| All other liabilities | 107,452 | 100,692 | 95,580 | 96,624 | 7 | 12 | 11 |
| **Total liabilities** | **909,411** | **849,553** | **825,640** | **846,158** | 7 | 10 | 7 |
| **Total shareholders' equity** | **43,864** | **40,944** | **42,164** | **42,162** | 7 | 4 | 4 |
| Noncontrolling interests | 1,087 | 1,083 | 5,002 | 6,849 | 0 | (78) | (84) |
| **Total equity** | **44,951** | **42,027** | **47,166** | **49,011** | 7 | (5) | (8) |
| **Total liabilities and equity** | **954,362** | **891,580** | **872,806** | **895,169** | 7 | 9 | 7 |

## BALANCE SHEET

Total assets were CHF 954.4 billion as of the end of 3Q14, up CHF 62.8 billion, or 7%, from the end of 2Q14, reflecting the foreign exchange translation impact and an increase from operating activities. Excluding the foreign exchange translation impact, total assets increased CHF 18.1 billion.

Compared to the end of 2Q14, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 21.5 billion, or 13%, mainly driven by the foreign exchange translation impact and an increase in customer reverse repurchase transactions, partially offset by a decrease in cash collateral for securities borrowings to customers. Cash and due from banks increased CHF 11.7 billion, or 18%, mainly driven by a higher cash position placed at the Federal Reserve Bank of New York. Net loans increased CHF 10.7 billion, or 4%, primarily reflecting increased lending driven by commercial and industrial loans, loans collateralized by securities and residential mortgages in Private Banking & Wealth Management and an increase in loans to the real estate sector in Investment Banking as well as the foreign exchange translation impact. Trading assets increased CHF 10.4 billion, or 4%, mainly reflecting the foreign exchange translation impact and an increase in derivatives instruments, partially offset by lower equity securities. Brokerage receivables increased CHF 5.2 billion, or 9%, mainly driven by the foreign exchange translation impact and an increase in margin lending balances in the prime services business. All other assets increased CHF 3.3 billion, or 3%, largely reflecting the foreign exchange translation impact.

Total liabilities were CHF 909.4 billion as of the end of 3Q14, up CHF 59.8 billion, or 7%, from the end of 2Q14, driven by the foreign exchange translation impact and an increase from operating activities. Excluding the foreign exchange translation impact, total liabilities increased CHF 16.4 billion.

Compared to the end of 2Q14, long-term debt increased CHF 19.8 billion, or 14%, primarily driven by new issuances of senior treasury debt and structured notes as well as the foreign exchange translation impact, partially offset by maturing of senior debt. Customer deposits increased CHF 16.9 billion, or 5%, mainly driven by the foreign exchange translation impact, an increase in demand and time customer deposits and an increase in investment accounts due to higher cash deposits accounts related to Swiss and German commercial and public customers. Brokerage payables were up by CHF 7.9 billion, or 11%, mainly reflecting the foreign exchange translation impact, higher margin lending balances primarily in the prime services business, higher futures balances and higher brokerage customer balances. Due to banks increased CHF 3.8 billion, or 14%, mainly driven by an increase in time deposits with banks. Trading liabilities increased CHF 2.8 billion, or 4%, mainly reflecting the foreign exchange translation impact. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions increased CHF 1.8 billion, or 2%, driven by the foreign exchange translation impact, partially offset by a decrease in repurchase transactions. All other liabilities increased CHF 6.8 billion, or 7%, largely reflecting the foreign exchange translation impact.

‣ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

‣ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 and “Note 25 – Guarantees and commitments” and “Note 29 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

III

# Condensed consolidated financial statements – unaudited

## Notes to the condensed consolidated financial statements – unaudited

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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of September 30, 2014 and 2013 and the related condensed consolidated statements of operations, changes in equity and comprehensive income for the three and nine-month periods ended September 30, 2014 and 2013 and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated April 3, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Simon Ryder
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
October 31, 2014

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,520 | 5,690 | 4,441 | 14,655 | 15,483 |
| Interest expense | (2,376) | (3,104) | (2,519) | (7,747) | (9,115) |
| Net interest income | 2,144 | 2,586 | 1,922 | 6,908 | 6,368 |
| Commissions and fees | 3,254 | 3,309 | 3,015 | 9,838 | 9,801 |
| Trading revenues | 904 | 197 | 272 | 1,739 | 2,444 |
| Other revenues | 276 | 371 | 467 | 1,385 | 1,104 |
| **Net revenues** | **6,578** | **6,463** | **5,676** | **19,870** | **19,717** |
| **Provision for credit losses** | **59** | **18** | **41** | **111** | **114** |
| Compensation and benefits | 2,747 | 2,973 | 2,532 | 8,713 | 8,449 |
| General and administrative expenses | 2,041 | 3,441 | 1,771 | 7,172 | 5,376 |
| Commission expenses | 393 | 377 | 422 | 1,139 | 1,349 |
| Total other operating expenses | 2,434 | 3,818 | 2,193 | 8,311 | 6,725 |
| **Total operating expenses** | **5,181** | **6,791** | **4,725** | **17,024** | **15,174** |
| **Income/(loss) from continuing operations before taxes** | **1,338** | **(346)** | **910** | **2,735** | **4,429** |
| Income tax expense | 366 | 307 | 368 | 1,216 | 1,339 |
| **Income/(loss) from continuing operations** | **972** | **(653)** | **542** | **1,519** | **3,090** |
| Income/(loss) from discontinued operations, net of tax | 106 | (9) | 150 | 112 | 147 |
| **Net income/(loss)** | **1,078** | **(662)** | **692** | **1,631** | **3,237** |
| Net income attributable to noncontrolling interests | 53 | 38 | 238 | 447 | 435 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **1,184** | **2,802** |
| of which from continuing operations | 919 | (691) | 304 | 1,072 | 2,655 |
| of which from discontinued operations | 106 | (9) | 150 | 112 | 147 |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.48 |
| Basic earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.09 |
| **Basic earnings/(loss) per share** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.57** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.47 |
| Diluted earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.08 |
| **Diluted earnings/(loss) per share** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.55** |

## Consolidated statements of comprehensive income (unaudited)

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | |
| Net income/(loss) | 1,078 | (662) | 692 | 1,631 | 3,237 |
| Gains/(losses) on cash flow hedges | (15) | 12 | 20 | 14 | 7 |
| Foreign currency translation | 1,726 | 65 | (1,204) | 1,518 | (443) |
| Unrealized gains/(losses) on securities | (9) | 12 | 0 | 11 | (21) |
| Actuarial gains/(losses) | 48 | 42 | 57 | 125 | 208 |
| Net prior service credit/(cost) | 0 | (22) | (22) | (42) | (80) |
| Other comprehensive income/(loss), net of tax | 1,750 | 109 | (1,149) | 1,626 | (329) |
| **Comprehensive income/(loss)** | **2,828** | **(553)** | **(457)** | **3,257** | **2,908** |
| Comprehensive income attributable to noncontrolling interests | 131 | 41 | 67 | 503 | 382 |
| **Comprehensive income/(loss) attributable to shareholders** | **2,697** | **(594)** | **(524)** | **2,754** | **2,526** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Cash and due from banks | 78,119 | 66,469 | 68,692 | 69,600 |
| of which reported at fair value | 347 | 724 | 527 | 278 |
| of which reported from consolidated VIEs | 1,385 | 916 | 952 | 1,263 |
| Interest-bearing deposits with banks | 1,211 | 1,749 | 1,515 | 1,664 |
| of which reported at fair value | 0 | 309 | 311 | 367 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 187,261 | 165,744 | 160,022 | 161,876 |
| of which reported at fair value | 108,076 | 86,586 | 96,587 | 91,288 |
| of which reported from consolidated VIEs | 1,292 | 1,224 | 1,959 | 1,848 |
| Securities received as collateral, at fair value | 22,246 | 21,611 | 22,800 | 24,640 |
| of which encumbered | 17,229 | 16,737 | 17,964 | 20,147 |
| Trading assets, at fair value | 245,829 | 235,427 | 229,413 | 244,422 |
| of which encumbered | 72,816 | 75,778 | 72,976 | 74,930 |
| of which reported from consolidated VIEs | 3,793 | 3,439 | 3,610 | 3,925 |
| Investment securities | 2,484 | 3,323 | 2,987 | 2,768 |
| of which reported at fair value | 2,484 | 3,323 | 2,987 | 2,768 |
| of which reported from consolidated VIEs | 48 | 59 | 100 | 126 |
| Other investments | 8,275 | 7,709 | 10,329 | 11,082 |
| of which reported at fair value | 5,529 | 5,252 | 7,596 | 8,183 |
| of which reported from consolidated VIEs | 2,044 | 1,928 | 1,983 | 2,049 |
| Net loans | 265,243 | 254,532 | 247,054 | 245,232 |
| of which reported at fair value | 21,598 | 19,897 | 19,457 | 19,023 |
| of which encumbered | 235 | 92 | 638 | 546 |
| of which reported from consolidated VIEs | 1,659 | 2,008 | 4,207 | 4,659 |
| allowance for loan losses | (811) | (821) | (869) | (871) |
| Premises and equipment | 4,875 | 4,811 | 5,091 | 5,287 |
| of which reported from consolidated VIEs | 523 | 495 | 513 | 524 |
| Goodwill | 8,435 | 7,983 | 7,999 | 8,114 |
| Other intangible assets | 251 | 245 | 210 | 210 |
| of which reported at fair value | 69 | 66 | 42 | 35 |
| Brokerage receivables | 61,519 | 56,309 | 52,045 | 56,699 |
| Other assets | 68,614 | 64,689 | 63,065 | 63,529 |
| of which reported at fair value | 32,332 | 31,273 | 31,518 | 31,679 |
| of which encumbered | 238 | 439 | 722 | 731 |
| of which reported from consolidated VIEs | 14,386 | 13,815 | 14,330 | 14,102 |
| Assets of discontinued operations held-for-sale | 0 | 979 | 1,584 | 46 |
| **Total assets** | **954,362** | **891,580** | **872,806** | **895,169** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | | |
| Due to banks | 30,548 | 26,701 | 23,108 | 27,481 |
| of which reported at fair value | 885 | 998 | 1,450 | 1,820 |
| Customer deposits | 363,220 | 346,296 | 333,089 | 328,244 |
| of which reported at fair value | 3,356 | 3,229 | 3,252 | 3,657 |
| of which reported from consolidated VIEs | 215 | 269 | 265 | 212 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 89,905 | 88,066 | 94,032 | 94,193 |
| of which reported at fair value | 64,269 | 60,529 | 76,104 | 78,095 |
| Obligation to return securities received as collateral, at fair value | 22,246 | 21,611 | 22,800 | 24,640 |
| Trading liabilities, at fair value | 77,902 | 75,129 | 76,635 | 92,350 |
| of which reported from consolidated VIEs | 12 | 16 | 93 | 95 |
| Short-term borrowings | 32,310 | 29,426 | 20,193 | 20,094 |
| of which reported at fair value | 7,066 | 7,132 | 6,053 | 6,025 |
| of which reported from consolidated VIEs | 10,310 | 8,733 | 4,286 | 4,747 |
| Long-term debt | 163,676 | 143,827 | 130,042 | 128,821 |
| of which reported at fair value | 75,243 | 70,217 | 63,369 | 61,874 |
| of which reported from consolidated VIEs | 12,220 | 11,857 | 12,992 | 13,715 |
| Brokerage payables | 76,708 | 68,842 | 73,154 | 78,445 |
| Other liabilities | 52,896 | 48,913 | 51,447 | 51,884 |
| of which reported at fair value | 19,405 | 20,009 | 21,973 | 22,991 |
| of which reported from consolidated VIEs | 738 | 859 | 710 | 1,033 |
| Liabilities of discontinued operations held-for-sale | 0 | 742 | 1,140 | 6 |
| **Total liabilities** | **909,411** | **849,553** | **825,640** | **846,158** |
| Common shares | 64 | 64 | 64 | 64 |
| Additional paid-in capital | 26,851 | 26,655 | 27,853 | 27,503 |
| Retained earnings | 31,417 | 30,392 | 30,261 | 30,859 |
| Treasury shares, at cost | (163) | (190) | (139) | (85) |
| Accumulated other comprehensive income/(loss) | (14,305) | (15,977) | (15,875) | (16,179) |
| **Total shareholders' equity** | **43,864** | **40,944** | **42,164** | **42,162** |
| Noncontrolling interests | 1,087 | 1,083 | 5,002 | 6,849 |
| **Total equity** | **44,951** | **42,027** | **47,166** | **49,011** |
| **Total liabilities and equity** | **954,362** | **891,580** | **872,806** | **895,169** |

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Additional share information** | | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,299,616,660 | 2,299,616,660 | 2,269,616,660 | 2,269,616,660 |
| Common shares issued | 1,607,168,947 | 1,607,168,947 | 1,596,119,349 | 1,595,433,898 |
| Treasury shares | (6,355,450) | (7,196,146) | (5,183,154) | (3,032,833) |
| Shares outstanding | 1,600,813,497 | 1,599,972,801 | 1,590,936,195 | 1,592,401,065 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **3Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1,2] | – | – | – | – | – | – | (129) | (129) |
| Net income/(loss) | – | – | 1,025 | – | – | 1,025 | 53 | 1,078 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 1,672 | 1,672 | 78 | 1,750 |
| Sale of treasury shares | – | (5) | – | 3,121 | – | 3,116 | – | 3,116 |
| Repurchase of treasury shares | – | – | – | (3,114) | – | (3,114) | – | (3,114) |
| Share-based compensation, net of tax | – | 303 [3] | – | 20 | – | 323 | – | 323 |
| Financial instruments indexed to own shares [4] | – | (102) | – | – | – | (102) | – | (102) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 2 | 2 |
| **Balance at end of period** | **64** | **26,851** | **31,417** | **(163)** | **(14,305)** | **43,864** | **1,087** | **44,951** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (36) million from the excess recognized compensation expense over fair value of shares delivered.
[4] The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **2Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (126) | (126) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 14 | 14 |
| Net income/(loss) | – | – | (700) | – | – | (700) | 38 | (662) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 106 | 106 | 3 | 109 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (6) | – | 2,140 | – | 2,134 | – | 2,134 |
| Repurchase of treasury shares | – | – | – | (2,767) | – | (2,767) | – | (2,767) |
| Share-based compensation, net of tax | – | (1,058) | – | 686 | – | (372) | – | (372) |
| Financial instruments indexed to own shares | – | 193 | – | – | – | 193 | – | 193 |
| Dividends paid | – | (1,177) | – | – | – | (1,177) | (5) | (1,182) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 107 | 107 |
| **Balance at end of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |
| **3Q13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,196** | **30,405** | **(62)** | **(15,201)** | **42,402** | **7,005** | **49,407** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (212) | (212) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 59 | 59 |
| Net income/(loss) | – | – | 454 | – | – | 454 | 241 | 695 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (978) | (978) | (171) | (1,149) |
| Issuance of common shares | – | 30 | – | – | – | 30 | – | 30 |
| Sale of treasury shares | – | 1 | – | 1,794 | – | 1,795 | – | 1,795 |
| Repurchase of treasury shares | – | – | – | (1,819) | – | (1,819) | – | (1,819) |
| Share-based compensation, net of tax | – | 280 | – | 2 | – | 282 | – | 282 |
| Financial instruments indexed to own shares | – | (1) | – | – | – | (1) | – | (1) |
| Dividends paid | – | – | – | – | – | – | (17) | (17) |
| Changes in redeemable noncontrolling interests | – | (3) | – | – | – | (3) | – | (3) |
| Other | – | – | – | – | – | – | (56) | (56) |
| **Balance at end of period** | **64** | **27,503** | **30,859** | **(85)** | **(16,179)** | **42,162** | **6,849** | **49,011** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **9M14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (2,067) | (1,829) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 35 | 35 |
| Net income/(loss) | – | – | 1,184 | – | – | 1,184 | 447 | 1,631 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 1,570 | 1,570 | 56 | 1,626 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (8) | – | 7,157 | – | 7,149 | – | 7,149 |
| Repurchase of treasury shares | – | – | – | (7,906) | – | (7,906) | – | (7,906) |
| Share-based compensation, net of tax | – | (444) [3] | – | 725 | – | 281 | – | 281 |
| Financial instruments indexed to own shares [4] | – | 91 | – | – | – | 91 | – | 91 |
| Dividends paid | – | (1,177) [5] | (28) | – | – | (1,205) | (22) | (1,227) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,364) | (2,364) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **26,851** | **31,417** | **(163)** | **(14,305)** | **43,864** | **1,087** | **44,951** |
| **9M13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (591) | (591) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 357 | 357 |
| Net income/(loss) | – | – | 2,802 | – | – | 2,802 | 438 | 3,240 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (276) | (276) | (53) | (329) |
| Issuance of common shares | 11 | 4,204 | – | – | – | 4,215 | – | 4,215 |
| Sale of treasury shares | – | (44) | – | 7,513 | – | 7,469 | – | 7,469 |
| Repurchase of treasury shares | – | – | – | (7,298) | – | (7,298) | – | (7,298) |
| Share-based compensation, net of tax | – | (95) | – | 159 | – | 64 | – | 64 |
| Financial instruments indexed to own shares | – | 79 | – | – | – | 79 | – | 79 |
| Dividends paid | – | (269) | (114) | – | – | (383) | (40) | (423) |
| Changes in redeemable noncontrolling interests | – | (8) | – | – | – | (8) | – | (8) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (48) | (48) |
| **Balance at end of period** | **64** | **27,503** | **30,859** | **(85)** | **(16,179)** | **42,162** | **6,849** | **49,011** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax charge of CHF (75) million from the excess recognized compensation expense over fair value of shares delivered.
4 The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5 Paid out of reserves from capital contributions.

## Consolidated statements of cash flows (unaudited)

| in | 9M14 | 9M13 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income** | **1,631** | **3,237** |
| (Income)/loss from discontinued operations, net of tax | (112) | (147) |
| **Income from continuing operations** | **1,519** | **3,090** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 938 | 991 |
| Provision for credit losses | 111 | 114 |
| Deferred tax provision/(benefit) | 618 | 875 |
| Share of net income/(loss) from equity method investments | 220 | 131 |
| Trading assets and liabilities, net | (6,953) | 17,401 |
| (Increase)/decrease in other assets | (10,984) | (7,903) |
| Increase/(decrease) in other liabilities | (825) | 10,299 |
| Other, net | 487 | (276) |
| Total adjustments | (16,388) | 21,632 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(14,869)** | **24,722** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 302 | 401 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (15,602) | 18,584 |
| Purchase of investment securities | (566) | (374) |
| Proceeds from sale of investment securities | 853 | 127 |
| Maturities of investment securities | 240 | 809 |
| Investments in subsidiaries and other investments | (767) | (1,137) |
| Proceeds from sale of other investments | 1,217 | 2,442 |
| (Increase)/decrease in loans | (15,237) | (6,040) |
| Proceeds from sales of loans | 1,052 | 1,280 |
| Capital expenditures for premises and equipment and other intangible assets | (706) | (687) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 8 |
| Other, net | 132 | 11 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(29,082)** | **15,424** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 9M14 | 9M13 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 26,182 | 18,737 |
| Increase/(decrease) in short-term borrowings | 10,049 | 5,616 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (9,764) | (38,141) |
| Issuances of long-term debt | 53,140 | 32,448 |
| Repayments of long-term debt | (26,983) | (50,937) |
| Issuances of common shares | 297 | 958 |
| Sale of treasury shares | 7,149 | 6,923 |
| Repurchase of treasury shares | (7,906) | (7,298) |
| Dividends paid | (1,227) | (423) |
| Other, net | (1,140) | 505 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **49,797** | **(31,612)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **4,041** | **(623)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | |
| **Net cash provided by/(used in) discontinued operations** | **(460)** | **(74)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **9,427** | **7,837** |
| Cash and due from banks at beginning of period | 68,692 | 61,763 |
| **Cash and due from banks at end of period** | **78,119** | **69,600** |

## Supplemental cash flow information (unaudited)

| in | 9M14 | 9M13 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 1,066 | 648 |
| Cash paid for interest | 7,881 | 9,460 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 137 | 0 |
| Fair value of liabilities assumed | 28 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 687 | 374 |
| Liabilities sold | 1,084 | 170 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Credit Suisse Annual Report 2013.

‣ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 2Q14 consolidated statements of operations and comprehensive income, the 2Q14 and 3Q13 consolidated balance sheets and the 3Q14, 2Q14 and 3Q13 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

‣ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of accounting standards adopted in 2013.

#### ASC Topic 210 – Balance Sheet

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Accounting Standards Codification (ASC) Topic 210 – Balance Sheet. The amendments in ASU 2011-11 require an entity to prepare additional disclosures about offsetting and related arrangements. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

‣ Refer to "Note 20 – Offsetting of financial assets and financial liabilities" for further information.

#### ASC Topic 220 – Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments in ASU 2013-02 require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

‣ Refer to "Note 19 – Accumulated other comprehensive income and additional share information" for further information.

#### ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments in ASU 2013-05 provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for interim and annual reporting periods beginning after December 15, 2013 with early adoption permitted. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 946 – Financial Services – Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08) an update to ASC Topic 946 – Financial Services – Investment Companies. The amendments in ASU 2013-08 change the approach to the investment company assessment in ASC Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or cash flows.

**Standards to be adopted in future periods**

### ASC Topic 205 – Presentation of Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments are expected to reduce diversity in the timing and content of such disclosures. ASU 2014-15 is effective for the annual reporting period ending after December 15, 2016, and for the interim and annual reporting periods thereafter. Early adoption is permitted. As these amendments relate only to disclosures, there will be no impact of the adoption of ASU 2014-15 on the Group's financial position, results of operations and cash flows.

### ASC Topic 205 – Presentation of Financial Statements
### ASC Topic 360 – Property, Plant, and Equipment

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" (ASU 2014-08), an update to ASC Topic 205 – Presentation of Financial Statements and ASC Topic 360 – Property, Plant, and Equipment. The amendments in ASU 2014-08 change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods beginning after December 15, 2014 with early adoption permitted. The Group will evaluate the impact of the adoption of ASU 2014-08 on the Group's financial position, results of operations and cash flows when any future discontinued operations or disposals are identified.

### ASC Topic 310 – Receivables

In August 2014, the FASB issued ASU 2014-14, "Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure" (ASU 2014-14), an update to ASC Topic 310 – Receivables. ASU 2014-14 requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met and provides guidance for the measurement of the separate other receivable. ASU 2014-14 is effective for interim and annual periods beginning after December 15, 2014. The adoption of ASU 2014-14 is not expected to have a material impact on the Group's financial position, results of operations and cash flows.

### ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-09 is effective for annual periods beginning after December 15, 2016. The Group is currently evaluating the impact of the adoption of ASU 2014-09 on the Group's financial position, results of operations and cash flows.

### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Group is currently evaluating the impact of the adoption of ASU 2014-12 on the Group's financial position, results of operations and cash flows.

### ASC Topic 810 – Consolidation

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the variable interest entities guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of

(i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. ASU 2014-13 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted as of the beginning of an annual period. The Group is currently evaluating the impact of the adoption of ASU 2014-13 on the Group's financial position, results of operations and cash flows.

### ASC Topic 860 – Transfers and Servicing

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" (ASU 2014-11), an update to ASC Topic 860 – Transfers and Servicing. ASU 2014-11 amends the accounting guidance for repurchase-to-maturity transactions and repurchase financing arrangements. As a result of these amendments repurchase-to-maturity transactions will be reported as secured borrowings. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amendments also specify new disclosures that entities must include. ASU 2014-11 is effective for interim and annual periods beginning after December 15, 2014. The Group is currently evaluating the impact of the adoption of ASU 2014-11 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

### Business developments

▸ Refer to "Note 4 – Discontinued operations" for information on business divestitures in 3Q14.

In July 2014, the Group entered into an agreement to sell Private Banking & Wealth Management's local affluent and upper affluent business in Italy to Banca Generali S.p.A. The transaction also includes approximately 60 agents of Credit Suisse (Italy) S.p.A., with over EUR 2.0 billion of assets under management. The transaction is expected to close by November 2014, subject to customary closing conditions.

In July 2014, the Group announced that with respect to the global macro products business, it decided to exit its small commodities trading business. The Group will also re-focus its foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and will further simplify its rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

In August 2014, the Group announced the sale of Prime Fund Services (PFS), including the existing PFS team, to BNP Paribas. The transaction is expected to close in 2015, subject to customary closing conditions, including related to antitrust and regulatory clearances. Revenues, expenses and the expected pre-tax gain on the disposal from this sale are immaterial.

## 4 Discontinued operations

In August 2014, the Group completed the sale of its domestic private banking business booked in Germany (German private banking business) to Bethmann Bank AG, a subsidiary of ABN AMRO, and recognized a pre-tax gain on disposal of CHF 109 million in 3Q14. As of the end of 2Q14, the German private banking business had total assets and total liabilities of CHF 979 million and CHF 742 million, respectively, that were held-for-sale. Bethmann Bank AG and ABN AMRO are companies unrelated to the Group.

In January 2014, the Group completed the sale of its Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in 1Q14 net of allocated goodwill of CHF 23 million. As of the end of 4Q13, CFIG had total assets of CHF 31 million that were held-for-sale. The Group continues to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In March 2014, the Group completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for 1Q14 and prior periods have not been restated. The Group retained certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Group.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Assets held-for-sale

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **German private banking business (CHF million)** | | | | |
| Cash | – | 277 | 960 | – |
| Loans | – | 686 | 575 | – |
| Other assets | – | 16 | 18 | – |
| **Total assets held-for-sale** | **–** | **979** | **1,553** | **–** |
| **CFIG (CHF million)** | | | | |
| Fees receivable | – | – | 8 | 6 |
| Goodwill | – | – | 23 | 32 |
| Other intangible assets | – | – | 0 | 8 |
| **Total assets held-for-sale** | **–** | **–** | **31** | **46** |
| **Group (CHF million)** | | | | |
| **Total assets held-for-sale** | **0** | **979** | **1,584** | **46** |

### Liabilities held-for-sale

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **German private banking business (CHF million)** | | | | |
| Deposits | – | 696 | 1,118 | – |
| Other liabilities | – | 46 | 22 | – |
| **Total liabilities held-for-sale** | **–** | **742** | **1,140** | **–** |
| **CFIG (CHF million)** | | | | |
| Fees payable | – | – | 0 | 6 |
| **Total liabilities held-for-sale** | **–** | **–** | **0** | **6** |
| **Group (CHF million)** | | | | |
| **Total liabilities held-for-sale** | **0** | **742** | **1,140** | **6** |

For the operations discontinued in 2013 and 2014, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

## Income/(loss) from discontinued operations

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Operations-related (CHF million)** | | | | | |
| **Net revenues** | **7** | **12** | **43** | **31** | **185** |
| of which German private banking business | 7 | 12 | 12 | 27 | 38 |
| of which ETF business | – | – | 0 | – | 29 |
| of which Strategic Partners | – | – | 5 | – | 33 |
| of which CFIG | – | – | 25 | 0 | 81 |
| Operating expenses | 7 | 12 | 19 | 35 | 130 |
| of which German private banking business | 7 | 12 | 15 | 33 | 53 |
| of which ETF business | – | – | 3 | – | 23 |
| of which Strategic Partners | – | – | 0 | – | 8 |
| of which CFIG | – | – | 0 | 0 | 41 |
| Income tax expense/(benefit) | 0 | 0 | 9 | 1 | 31 |
| of which German private banking business | 0 | 0 | (3) | 0 | (4) |
| of which ETF business | – | – | 0 | – | 5 |
| of which Strategic Partners | – | – | 1 | – | 10 |
| of which CFIG | – | – | 11 | 0 | 20 |
| **Income/(loss), net of tax** | **0** | **0** | **15** | **(5)** | **24** |
| of which German private banking business | 0 | 0 | 0 | (6) | (11) |
| of which ETF business | – | – | (3) | – | 1 |
| of which Strategic Partners | – | – | 4 | – | 15 |
| of which CFIG | – | – | 14 | 0 | 20 |
| **Transaction-related (CHF million)** | | | | | |
| **Gain on disposal** | **109** | **–** | **237** | **200** | **237** |
| of which German private banking business | 109 | – | – | 109 | – |
| of which ETF business | – | – | 146 | – | 146 |
| of which Strategic Partners | – | – | 91 | – | 91 |
| of which CFIG | – | – | – | 91 | – |
| Operating expenses | 3 | 9 | 48 | 44 | 68 |
| of which German private banking business | 3 | 9 | – | 38 | – |
| of which ETF business | – | – | 5 | – | 11 |
| of which Strategic Partners | – | – | 10 | – | 22 |
| of which CFIG | – | – | 33 | 0 | 35 |
| Income tax expense/(benefit) | 0 | 0 | 54 | 39 | 46 |
| of which ETF business | – | – | 23 | – | 21 |
| of which Strategic Partners | – | – | 45 | – | 40 |
| of which CFIG | – | – | (14) | 42 | (15) |
| **Income/(loss), net of tax** | **106** | **(9)** | **135** | **117** | **123** |
| of which German private banking business | 106 | (9) | – | 71 | – |
| of which ETF business | – | – | 118 | – | 114 |
| of which Strategic Partners | – | – | 36 | – | 29 |
| of which CFIG | – | – | (19) | 49 | (20) |
| **Discontinued operations – total (CHF million)** | | | | | |
| **Income/(loss) from discontinued operations, net of tax** | **106** | **(9)** | **150** | **112** | **147** |
| of which German private banking business | 106 | (9) | 0 | 65 | (11) |
| of which ETF business | – | – | 115 | – | 115 |
| of which Strategic Partners | – | – | 40 | – | 44 |
| of which CFIG | – | – | (5) | 49 | 0 |

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

Beginning in 2Q14, 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 to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on total assets.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on segment information, revenue sharing and cost allocation, funding and taxes.

### Net revenues and income before taxes

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Private Banking & Wealth Management | 3,125 | 3,046 | 3,316 | 9,411 | 10,013 |
| Investment Banking | 3,303 | 3,342 | 2,552 | 10,061 | 9,897 |
| Corporate Center | 109 | 45 | (419) | (33) | (613) |
| Noncontrolling interests without SEI | 41 | 30 | 227 | 431 | 420 |
| **Net revenues** | **6,578** | **6,463** | **5,676** | **19,870** | **19,717** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Private Banking & Wealth Management | 943 | (749) | 1,018 | 1,206 | 2,816 |
| Investment Banking | 516 | 752 | 229 | 2,095 | 2,283 |
| Corporate Center | (158) | (373) | (559) | (970) | (1,066) |
| Noncontrolling interests without SEI | 37 | 24 | 222 | 404 | 396 |
| **Income/(loss) from continuing operations before taxes** | **1,338** | **(346)** | **910** | **2,735** | **4,429** |

### Total assets

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Total assets (CHF million)** | | | | |
| Private Banking & Wealth Management | 342,032 | 322,669 | 316,491 | 313,459 |
| Investment Banking | 565,084 | 525,101 | 519,712 | 545,986 |
| Corporate Center | 45,959 | 42,509 | 32,979 | 31,624 |
| Noncontrolling interests without SEI | 1,287 | 1,301 | 3,624 | 4,100 |
| **Total assets** | **954,362** | **891,580** | **872,806** | **895,169** |

## 6 Net interest income

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,282 | 1,216 | 1,223 | 3,724 | 3,622 |
| Investment securities | 9 | 11 | 10 | 31 | 35 |
| Trading assets | 2,111 | 3,394 | 2,113 | 7,673 | 8,243 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 572 | 542 | 585 | 1,675 | 1,961 |
| Other | 546 | 527 | 510 | 1,552 | 1,622 |
| Interest and dividend income | 4,520 | 5,690 | 4,441 | 14,655 | 15,483 |
| Deposits | (268) | (248) | (235) | (752) | (753) |
| Short-term borrowings | (38) | (30) | (18) | (90) | (115) |
| Trading liabilities | (841) | (1,626) | (1,070) | (3,228) | (4,168) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (242) | (262) | (211) | (765) | (944) |
| Long-term debt | (913) | (854) | (922) | (2,694) | (2,951) |
| Other | (74) | (84) | (63) | (218) | (184) |
| Interest expense | (2,376) | (3,104) | (2,519) | (7,747) | (9,115) |
| **Net interest income** | **2,144** | **2,586** | **1,922** | **6,908** | **6,368** |

## 7 Commissions and fees

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 518 | 454 | 424 | 1,406 | 1,354 |
| Investment and portfolio management | 922 | 891 | 919 | 2,747 | 2,825 |
| Other securities business | 22 | 25 | 27 | 70 | 81 |
| Fiduciary business | 944 | 916 | 946 | 2,817 | 2,906 |
| Underwriting | 435 | 603 | 303 | 1,498 | 1,201 |
| Brokerage | 882 | 890 | 909 | 2,745 | 3,073 |
| Underwriting and brokerage | 1,317 | 1,493 | 1,212 | 4,243 | 4,274 |
| Other services | 475 | 446 | 433 | 1,372 | 1,267 |
| **Commissions and fees** | **3,254** | **3,309** | **3,015** | **9,838** | **9,801** |

## 8 Trading revenues

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | 1,452 | 2,969 | 439 | 5,671 | 1,027 |
| Foreign exchange products | (1,072) | (1,337) | 2 | (3,423) | 905 |
| Equity/index-related products | 308 | (680) | (67) | (196) | 422 |
| Credit products | 472 | (850) | (297) | (338) | (341) |
| Commodity, emission and energy products | (109) | (17) | 78 | (63) | 269 |
| Other products | (147) | 112 | 117 | 88 | 162 |
| **Trading revenues** | **904** | **197** | **272** | **1,739** | **2,444** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to “Note 8 – Trading revenues” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 38 | 25 | 231 | 421 | 447 |
| Loans held-for-sale | (2) | (1) | (1) | (2) | (4) |
| Long-lived assets held-for-sale | (12) | (2) | 7 | 14 | (15) |
| Equity method investments | 42 | 55 | 38 | 158 | 104 |
| Other investments | 65 | 97 | 32 | 272 | 171 |
| Other | 145 | 197 | 160 | 522 | 401 |
| **Other revenues** | **276** | **371** | **467** | **1,385** | **1,104** |

## 10 Provision for credit losses

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | 27 | 22 | 43 | 79 | 112 |
| Provision for lending-related and other exposures | 32 | (4) | (2) | 32 | 2 |
| **Provision for credit losses** | **59** | **18** | **41** | **111** | **114** |

## 11 Compensation and benefits

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,429 | 2,536 | 2,212 | 7,618 | 7,256 |
| Social security | 165 | 283 | 152 | 636 | 603 |
| Other [1] | 153 | 154 | 168 | 459 | 590 |
| **Compensation and benefits** [2] | **2,747** | **2,973** | **2,532** | **8,713** | **8,449** |

[1] Includes pension and other post-retirement expense of CHF 78 million, CHF 85 million, CHF 89 million, CHF 247 million and CHF 356 million in 3Q14, 2Q14, 3Q13, 9M14 and 9M13, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 28 million, CHF 63 million, CHF 9 million, CHF 115 million and CHF 166 million as of 3Q14, 2Q14, 3Q13, 9M14 and 9M13, respectively.

## 12 General and administrative expenses

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 274 | 305 | 288 | 852 | 859 |
| IT, machinery, etc. | 356 | 347 | 366 | 1,044 | 1,127 |
| Provisions and losses | 398 | 1,810 | 210 | 2,319 | 653 |
| Travel and entertainment | 86 | 90 | 82 | 257 | 263 |
| Professional services | 572 | 545 | 473 | 1,643 | 1,375 |
| Amortization and impairment of other intangible assets | 7 | 5 | 6 | 17 | 19 |
| Other | 348 | 339 | 346 | 1,040 | 1,080 |
| **General and administrative expenses** | **2,041** | **3,441** | **1,771** | **7,172** | **5,376** |

## 13 Earnings per share

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **919** | **(691)** | **304** | **1,072** | **2,655** |
| Income/(loss) from discontinued operations, net of tax | 106 | (9) | 150 | 112 | 147 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **1,184** | **2,802** |
| Preferred securities dividends | – | – | – | (28) | (114) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,688** |
| Available for common shares | 985 | (752) | 421 | 1,104 | 2,368 |
| Available for unvested share-based payment awards | 40 | 52 | 33 | 52 | 197 |
| Available for mandatory convertible securities [1] | – | – | – | – | 123 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,688** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | – | – | 17 |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,705** |
| Available for common shares | 986 | (752) | 421 | 1,104 | 2,388 |
| Available for unvested share-based payment awards | 39 | 52 | 33 | 52 | 195 |
| Available for mandatory convertible securities [1] | – | – | – | – | 122 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,608.7** | **1,625.0** | **1,600.0** | **1,618.3** | **1,509.8** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 0.0 | – | 23.3 |
| Dilutive share options and warrants | 0.9 | 0.0 | 1.7 | 0.8 | 1.9 |
| Dilutive share awards | 18.2 | 0.0 | 1.3 | 7.8 | 1.5 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,627.8** | **1,625.0 [5]** | **1,603.0** | **1,626.9** | **1,536.5** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **64.9** | **68.3** | **125.6** | **76.2** | **126.1** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **–** | **–** | **84.0** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.48 |
| Basic earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.09 |
| **Basic earnings/(loss) per share available for common shares** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.57** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.47 |
| Diluted earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.08 |
| **Diluted earnings/(loss) per share available for common shares** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.55** |

1 Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

2 Reflects changes in the fair value of the PAF2 units which were reflected in the net results of the Group until the awards were finally settled. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

3 Reflects weighted-average shares outstanding on PAF2 units. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

4 Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 8.7 million, 8.8 million, 33.7 million, 8.8 million and 12.3 million for 3Q14, 2Q14, 3Q13, 9M14 and 9M13, respectively.

5 Due to the net loss in 2Q14, 1.3 million weighted-average share options and warrants outstanding and 12.2 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 14 Trading assets and liabilities

| end of | **3Q14** | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Trading assets (CHF million)** | | | | |
| Debt securities | 108,519 | 105,038 | 110,116 | 117,354 |
| Equity securities [1] | 85,077 | 88,159 | 76,695 | 78,605 |
| Derivative instruments [2] | 37,860 | 30,957 | 31,603 | 36,764 |
| Other | 14,373 | 11,273 | 10,999 | 11,699 |
| **Trading assets** | **245,829** | **235,427** | **229,413** | **244,422** |
| **Trading liabilities (CHF million)** | | | | |
| Short positions | 40,367 | 40,617 | 40,161 | 47,483 |
| Derivative instruments [2] | 37,535 | 34,512 | 36,474 | 44,867 |
| **Trading liabilities** | **77,902** | **75,129** | **76,635** | **92,350** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | **3Q14** | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | | | |
| Cash collateral paid | 28,817 | 25,122 | 23,870 | 24,209 |
| Cash collateral received | 21,683 | 20,058 | 20,500 | 21,794 |
| **Cash collateral – not netted (CHF million) [2]** | | | | |
| Cash collateral paid | 9,278 | 8,097 | 8,359 | 8,739 |
| Cash collateral received | 15,727 | 12,844 | 11,663 | 12,013 |

[1] Recorded as cash collateral netting on derivative instruments in Note 20 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 17 – Other assets and other liabilities.

## 15 Investment securities

| end of | **3Q14** | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Investment securities (CHF million)** | | | | |
| Securities available-for-sale | 2,484 | 3,323 | 2,987 | 2,768 |
| **Total investment securities** | **2,484** | **3,323** | **2,987** | **2,768** |

### Investment securities by type

| | | | | **3Q14** | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 287 | 16 | 0 | 303 | 389 | 15 | 2 | 402 |
| Debt securities issued by foreign governments | 1,605 | 49 | 0 | 1,654 | 1,350 | 39 | 1 | 1,388 |
| Corporate debt securities | 335 | 0 | 0 | 335 | 590 | 16 | 0 | 606 |
| Collateralized debt obligations | 82 | 1 | 0 | 83 | 480 | 11 | 1 | 490 |
| Debt securities available-for-sale | 2,309 | 66 | 0 | 2,375 | 2,809 | 81 | 4 | 2,886 |
| Banks, trust and insurance companies | 73 | 24 | 0 | 97 | 74 | 18 | 0 | 92 |
| Industry and all other | 12 | 0 | 0 | 12 | 9 | 0 | 0 | 9 |
| Equity securities available-for-sale | 85 | 24 | 0 | 109 | 83 | 18 | 0 | 101 |
| **Securities available-for-sale** | **2,394** | **90** | **0** | **2,484** | **2,892** | **99** | **4** | **2,987** |

There were no unrealized losses on investment securities as of the end of 3Q14.

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **4Q13 (CHF million)** | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 168 | 2 | 0 | 0 | 168 | 2 |
| Debt securities issued by foreign governments | 109 | 1 | 0 | 0 | 109 | 1 |
| Collateralized debt obligation | 10 | 1 | 0 | 0 | 10 | 1 |
| **Debt securities available-for-sale** | **287** | **4** | **0** | **0** | **287** | **4** |

No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | 9M14 | | 9M13 | |
|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 844 | 9 | 116 | 11 |
| Realized gains | 17 | 1 | 0 | 0 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **3Q14 (CHF million)** | | | |
| Due within 1 year | 934 | 949 | 2.21 |
| Due from 1 to 5 years | 1,114 | 1,151 | 1.21 |
| Due from 5 to 10 years | 253 | 266 | 1.70 |
| Due after 10 years | 8 | 9 | 2.00 |
| **Total debt securities** | **2,309** | **2,375** | **1.67** |

## 16 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on loans, allowance for loan losses, credit quality and impaired loans.

### Loans

| end of | **3Q14** | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Loans (CHF million)** | | | | |
| Mortgages | 97,842 | 96,915 | 94,978 | 94,369 |
| Loans collateralized by securities | 38,213 | 35,882 | 31,565 | 30,872 |
| Consumer finance | 5,597 | 5,438 | 5,938 | 6,229 |
| Consumer | 141,652 | 138,235 | 132,481 | 131,470 |
| Real estate | 28,312 | 27,268 | 27,312 | 26,488 |
| Commercial and industrial loans | 71,478 | 65,734 | 63,334 | 63,236 |
| Financial institutions | 21,310 | 21,058 | 21,840 | 22,118 |
| Governments and public institutions | 3,429 | 3,177 | 3,047 | 2,888 |
| Corporate & institutional | 124,529 | 117,237 | 115,533 | 114,730 |
| **Gross loans** | **266,181** | **255,472** | **248,014** | **246,200** |
| of which held at amortized cost | 244,583 | 235,575 | 228,557 | 227,177 |
| of which held at fair value | 21,598 | 19,897 | 19,457 | 19,023 |
| Net (unearned income)/deferred expenses | (127) | (119) | (91) | (97) |
| Allowance for loan losses | (811) | (821) | (869) | (871) |
| **Net loans** | **265,243** | **254,532** | **247,054** | **245,232** |
| **Gross loans by location (CHF million)** | | | | |
| Switzerland | 157,338 | 156,377 | 151,992 | 151,547 |
| Foreign | 108,843 | 99,095 | 96,022 | 94,653 |
| **Gross loans** | **266,181** | **255,472** | **248,014** | **246,200** |
| **Impaired loan portfolio (CHF million)** | | | | |
| Non-performing loans | 854 | 851 | 862 | 893 |
| Non-interest-earning loans | 315 | 286 | 281 | 302 |
| Total non-performing and non-interest-earning loans | 1,169 | 1,137 | 1,143 | 1,195 |
| Restructured loans | 162 | 83 | 6 | 19 |
| Potential problem loans | 155 | 252 | 340 | 324 |
| Total other impaired loans | 317 | 335 | 346 | 343 |
| **Gross impaired loans** | **1,486** | **1,472** | **1,489** | **1,538** |

## Allowance for loan losses by loan portfolio

| | 3Q14 | | | 2Q14 | | | 3Q13 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **260** | **561** | **821** | **263** | **603** | **866** | **282** | **618** | **900** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (1) |
| Net movements recognized in statements of operations | 11 | 16 | 27 | 20 | 2 | 22 | 21 | 22 | 43 |
| Gross write-offs | (29) | (47) | (76) | (28) | (64) | (92) | (35) | (38) | (73) |
| Recoveries | 5 | 3 | 8 | 4 | 15 | 19 | 6 | 6 | 12 |
| Net write-offs | (24) | (44) | (68) | (24) | (49) | (73) | (29) | (32) | (61) |
| Provisions for interest | 0 | 6 | 6 | 0 | 3 | 3 | 2 | 5 | 7 |
| Foreign currency translation impact and other adjustments, net | 7 | 18 | 25 | 1 | 2 | 3 | (5) | (12) | (17) |
| **Balance at end of period** | **254** | **557** | **811** | **260** | **561** | **821** | **271** | **600** | **871** |
| of which individually evaluated for impairment | 204 | 400 | 604 | 210 | 403 | 613 | 220 | 427 | 647 |
| of which collectively evaluated for impairment | 50 | 157 | 207 | 50 | 158 | 208 | 51 | 173 | 224 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **141,624** | **102,959** | **244,583** | **138,223** | **97,352** | **235,575** | **131,461** | **95,716** | **227,177** |
| of which individually evaluated for impairment [1] | 625 | 861 | 1,486 | 613 | 859 | 1,472 | 603 | 935 | 1,538 |
| of which collectively evaluated for impairment | 140,999 | 102,098 | 243,097 | 137,610 | 96,493 | 234,103 | 130,858 | 94,781 | 225,639 |

| | 9M14 | | | 9M13 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **267** | **602** | **869** | **288** | **634** | **922** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | (1) | (1) |
| Net movements recognized in statements of operations | 48 | 31 | 79 | 57 | 55 | 112 |
| Gross write-offs | (83) | (131) | (214) | (95) | (131) | (226) |
| Recoveries | 14 | 23 | 37 | 18 | 30 | 48 |
| Net write-offs | (69) | (108) | (177) | (77) | (101) | (178) |
| Provisions for interest | 1 | 13 | 14 | 4 | 16 | 20 |
| Foreign currency translation impact and other adjustments, net | 7 | 19 | 26 | (1) | (3) | (4) |
| **Balance at end of period** | **254** | **557** | **811** | **271** | **600** | **871** |

1 Represents gross impaired loans both with and without a specific allowance.

### Purchases, reclassifications and sales

| | 3Q14 | | | 2Q14 | | | 3Q13 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 75 | 1,273 | 1,348 | 18 | 982 | 1,000 | 0 | 1,679 | 1,679 |
| Reclassifications from loans held-for-sale [2] | 0 | 104 | 104 | 0 | 165 | 165 | 0 | 89 | 89 |
| Reclassifications to loans held-for-sale [3] | 0 | 118 | 118 | 0 | 334 | 334 | 0 | 185 | 185 |
| Sales [3] | 0 | 172 | 172 | 0 | 11 | 11 | 0 | 87 | 87 |

| | 9M14 | | | 9M13 | | |
|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 104 | 2,678 | 2,782 | 0 | 3,794 | 3,794 |
| Reclassifications from loans held-for-sale [2] | 0 | 292 | 292 | 0 | 195 | 195 |
| Reclassifications to loans held-for-sale [3] | 0 | 528 | 528 | 0 | 493 | 493 |
| Sales [3] | 0 | 236 | 236 | 0 | 274 | 274 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

### Credit quality of loans held at amortized cost

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses detailed internal risk ratings which are aggregated to the credit quality indicators investment grade and non-investment grade.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

In 3Q14, Group credit risk management enhanced its internal credit rating methodology for lombard loans on the Swiss platform across all loan classes by considering the quality and diversification of collateral securities as a basis for determining the internal risk rating both for regulatory and financial reporting purposes. The change in the internal rating methodology for lombard loans on the Swiss platform did not have a significant impact on the Group's total investment grade and non-investment grade loans.

‣ Refer to "Credit quality of loans held at amortized cost" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on internal ratings and the scope of the credit quality disclosures.

**Gross loans held at amortized cost by internal counterparty rating**

| | Investment grade | Non-investment grade | | |
|---|---|---|---|---|
| end of | Ratings AAA to BBB | Ratings BB to C | Rating D | **Total** |
| **3Q14 (CHF million)** | | | | |
| Mortgages | 81,033 | 16,581 | 228 | 97,842 |
| Loans collateralized by securities | 36,151 | 1,963 | 86 | 38,200 |
| Consumer finance | 2,602 | 2,722 | 258 | 5,582 |
| Consumer | 119,786 | 21,266 | 572 | 141,624 |
| Real estate | 20,829 | 6,425 | 70 | 27,324 |
| Commercial and industrial loans | 29,311 | 29,760 | 629 | 59,700 |
| Financial institutions | 11,645 | 2,801 | 103 | 14,549 |
| Governments and public institutions | 978 | 408 | 0 | 1,386 |
| Corporate & institutional | 62,763 | 39,394 | 802 | 102,959 |
| **Gross loans held at amortized cost** | **182,549** | **60,660** | **1,374** | **244,583** |
| Value of collateral [1] | 168,427 | 49,628 | 700 | 218,755 |
| **4Q13 (CHF million)** | | | | |
| Mortgages | 76,990 | 17,779 | 209 | 94,978 |
| Loans collateralized by securities | 29,242 | 2,229 | 94 | 31,565 |
| Consumer finance | 2,741 | 2,938 | 248 | 5,927 |
| Consumer | 108,973 | 22,946 | 551 | 132,470 |
| Real estate | 19,574 | 7,220 | 72 | 26,866 |
| Commercial and industrial loans | 24,056 | 26,996 | 671 | 51,723 |
| Financial institutions | 12,691 | 3,231 | 112 | 16,034 |
| Governments and public institutions | 1,020 | 444 | 0 | 1,464 |
| Corporate & institutional | 57,341 | 37,891 | 855 | 96,087 |
| **Gross loans held at amortized cost** | **166,314** | **60,837** | **1,406** | **228,557** |
| Value of collateral [1] | 152,756 | 48,861 | 616 | 202,233 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

### Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

### Gross loans held at amortized cost – aging analysis

| | Current | | | | | Past due | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **3Q14 (CHF million)** | | | | | | | |
| Mortgages | 97,525 | 119 | 14 | 8 | 176 | 317 | 97,842 |
| Loans collateralized by securities | 37,958 | 151 | 1 | 2 | 88 | 242 | 38,200 |
| Consumer finance | 4,835 | 417 | 74 | 59 | 197 | 747 | 5,582 |
| Consumer | 140,318 | 687 | 89 | 69 | 461 | 1,306 | 141,624 |
| Real estate | 27,127 | 131 | 7 | 2 | 57 | 197 | 27,324 |
| Commercial and industrial loans | 58,627 | 640 | 41 | 43 | 349 | 1,073 | 59,700 |
| Financial institutions | 14,325 | 100 | 3 | 0 | 121 | 224 | 14,549 |
| Governments and public institutions | 1,384 | 2 | 0 | 0 | 0 | 2 | 1,386 |
| Corporate & institutional | 101,463 | 873 | 51 | 45 | 527 | 1,496 | 102,959 |
| **Gross loans held at amortized cost** | **241,781** | **1,560** | **140** | **114** | **988** | **2,802** | **244,583** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 94,657 | 103 | 26 | 25 | 167 | 321 | 94,978 |
| Loans collateralized by securities | 31,365 | 95 | 2 | 12 | 91 | 200 | 31,565 |
| Consumer finance | 5,218 | 377 | 93 | 55 | 184 | 709 | 5,927 |
| Consumer | 131,240 | 575 | 121 | 92 | 442 | 1,230 | 132,470 |
| Real estate | 26,774 | 19 | 2 | 2 | 69 | 92 | 26,866 |
| Commercial and industrial loans | 50,879 | 343 | 77 | 74 | 350 | 844 | 51,723 |
| Financial institutions | 15,841 | 87 | 2 | 1 | 103 | 193 | 16,034 |
| Governments and public institutions | 1,459 | 5 | 0 | 0 | 0 | 5 | 1,464 |
| Corporate & institutional | 94,953 | 454 | 81 | 77 | 522 | 1,134 | 96,087 |
| **Gross loans held at amortized cost** | **226,193** | **1,029** | **202** | **169** | **964** | **2,364** | **228,557** |

## Impaired loans

▸ Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on impaired loan categories and allowance for specifically identified credit losses on impaired loans.

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **3Q14 (CHF million)** | | | | | | | |
| Mortgages | 211 | 22 | 233 | 0 | 44 | 44 | 277 |
| Loans collateralized by securities | 14 | 73 | 87 | 0 | 1 | 1 | 88 |
| Consumer finance | 241 | 18 | 259 | 0 | 1 | 1 | 260 |
| Consumer | 466 | 113 | 579 | 0 | 46 | 46 | 625 |
| Real estate | 53 | 14 | 67 | 0 | 3 | 3 | 70 |
| Commercial and industrial loans | 248 | 153 | 401 | 162 | 103 | 265 | 666 |
| Financial institutions | 87 | 35 | 122 | 0 | 3 | 3 | 125 |
| Corporate & institutional | 388 | 202 | 590 | 162 | 109 | 271 | 861 |
| **Gross impaired loans** | **854** | **315** | **1,169** | **162** | **155** | **317** | **1,486** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 167 | 13 | 180 | 0 | 45 | 45 | 225 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 4 | 4 | 95 |
| Consumer finance | 244 | 5 | 249 | 0 | 0 | 0 | 249 |
| Consumer | 431 | 89 | 520 | 0 | 49 | 49 | 569 |
| Real estate | 53 | 15 | 68 | 0 | 5 | 5 | 73 |
| Commercial and industrial loans | 307 | 144 | 451 | 6 | 258 | 264 | 715 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 431 | 192 | 623 | 6 | 291 | 297 | 920 |
| **Gross impaired loans** | **862** | **281** | **1,143** | **6** | **340** | **346** | **1,489** |

## Gross impaired loan detail

| | | | 3Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 215 | 203 | 26 | 207 | 197 | 28 |
| Loans collateralized by securities | 64 | 61 | 51 | 67 | 63 | 55 |
| Consumer finance | 241 | 222 | 127 | 231 | 211 | 134 |
| Consumer | 520 | 486 | 204 | 505 | 471 | 217 |
| Real estate | 59 | 56 | 6 | 71 | 65 | 15 |
| Commercial and industrial loans | 623 | 566 | 321 | 705 | 656 | 340 |
| Financial institutions | 125 | 120 | 73 | 131 | 127 | 82 |
| Corporate & institutional | 807 | 742 | 400 | 907 | 848 | 437 |
| **Gross impaired loans with a specific allowance** | **1,327** | **1,228** | **604** | **1,412** | **1,319** | **654** |
| Mortgages | 62 | 62 | – | 18 | 18 | – |
| Loans collateralized by securities | 24 | 24 | – | 28 | 28 | – |
| Consumer finance | 19 | 19 | – | 18 | 18 | – |
| Consumer | 105 | 105 | – | 64 | 64 | – |
| Real estate | 11 | 11 | – | 2 | 2 | – |
| Commercial and industrial loans | 43 | 43 | – | 10 | 10 | – |
| Financial institutions | 0 | 0 | – | 1 | 1 | – |
| Corporate & institutional | 54 | 54 | – | 13 | 13 | – |
| **Gross impaired loans without specific allowance** | **159** | **159** | **–** | **77** | **77** | **–** |
| **Gross impaired loans** | **1,486** | **1,387** | **604** | **1,489** | **1,396** | **654** |
| of which consumer | 625 | 591 | 204 | 569 | 535 | 217 |
| of which corporate & institutional | 861 | 796 | 400 | 920 | 861 | 437 |

## Gross impaired loan detail (continued)

| | | | 3Q14 | | | 2Q14 | | | 3Q13 |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 223 | 0 | 0 | 197 | 1 | 1 | 210 | 0 | 0 |
| Loans collateralized by securities | 65 | 0 | 0 | 65 | 0 | 0 | 70 | 0 | 0 |
| Consumer finance | 241 | 1 | 1 | 223 | 0 | 0 | 253 | 0 | 0 |
| Consumer | 529 | 1 | 1 | 485 | 1 | 1 | 533 | 0 | 0 |
| Real estate | 78 | 0 | 0 | 81 | 0 | 0 | 80 | 0 | 0 |
| Commercial and industrial loans | 629 | 1 | 1 | 676 | 0 | 0 | 761 | 1 | 1 |
| Financial institutions | 124 | 0 | 0 | 119 | 0 | 0 | 130 | 0 | 0 |
| Corporate & institutional | 831 | 1 | 1 | 876 | 0 | 0 | 971 | 1 | 1 |
| **Gross impaired loans with a specific allowance** | **1,360** | **2** | **2** | **1,361** | **1** | **1** | **1,504** | **1** | **1** |
| Mortgages | 38 | 0 | 0 | 30 | 0 | 0 | 17 | 0 | 0 |
| Loans collateralized by securities | 25 | 0 | 0 | 40 | 0 | 0 | 26 | 0 | 0 |
| Consumer finance | 25 | 0 | 0 | 22 | 0 | 0 | 17 | 0 | 0 |
| Consumer | 88 | 0 | 0 | 92 | 0 | 0 | 60 | 0 | 0 |
| Real estate | 4 | 0 | 0 | 19 | 0 | 0 | 16 | 0 | 0 |
| Commercial and industrial loans | 36 | 0 | 0 | 12 | 0 | 0 | 24 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Corporate & institutional | 40 | 0 | 0 | 31 | 0 | 0 | 41 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **128** | **0** | **0** | **123** | **0** | **0** | **101** | **0** | **0** |
| **Gross impaired loans** | **1,488** | **2** | **2** | **1,484** | **1** | **1** | **1,605** | **1** | **1** |
| of which consumer | 617 | 1 | 1 | 577 | 1 | 1 | 593 | 0 | 0 |
| of which corporate & institutional | 871 | 1 | 1 | 907 | 0 | 0 | 1,012 | 1 | 1 |

## Gross impaired loan detail (continued)

| | 9M14 | | | 9M13 | | |
|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 207 | 1 | 1 | 204 | 1 | 1 |
| Loans collateralized by securities | 65 | 0 | 0 | 71 | 0 | 0 |
| Consumer finance | 234 | 1 | 1 | 261 | 0 | 0 |
| Consumer | 506 | 2 | 2 | 536 | 1 | 1 |
| Real estate | 80 | 0 | 0 | 72 | 0 | 0 |
| Commercial and industrial loans | 671 | 1 | 1 | 772 | 4 | 4 |
| Financial institutions | 126 | 0 | 0 | 139 | 0 | 0 |
| Corporate & institutional | 877 | 1 | 1 | 983 | 4 | 4 |
| **Gross impaired loans with a specific allowance** | **1,383** | **3** | **3** | **1,519** | **5** | **5** |
| Mortgages | 29 | 0 | 0 | 27 | 0 | 0 |
| Loans collateralized by securities | 31 | 0 | 0 | 27 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 24 | 0 | 0 |
| Consumer | 82 | 0 | 0 | 78 | 0 | 0 |
| Real estate | 10 | 0 | 0 | 10 | 0 | 0 |
| Commercial and industrial loans | 20 | 0 | 0 | 75 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 2 | 0 | 0 |
| Corporate & institutional | 30 | 0 | 0 | 87 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **112** | **0** | **0** | **165** | **0** | **0** |
| **Gross impaired loans** | **1,495** | **3** | **3** | **1,684** | **5** | **5** |
| of which consumer | 588 | 2 | 2 | 614 | 1 | 1 |
| of which corporate & institutional | 907 | 1 | 1 | 1,070 | 4 | 4 |

**Restructured loans held at amortized cost**

| | 3Q14 | | | 2Q14 | | | 3Q13 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Commercial and industrial loans | 7 | 183 | 153 | 2 | 78 | 56 | 0 | 0 | 0 |
| **Total** | **7** | **183** | **153** | **2** | **78** | **56** | **0** | **0** | **0** |

| | 9M14 | | | 9M13 | | |
|---|---|---|---|---|---|---|
| in | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification | Number of contracts | Recorded investment – pre-modification | Recorded investment – post-modification |
| **Restructured loans (CHF million)** | | | | | | |
| Consumer finance | 0 | 0 | 0 | 1 | 1 | 0 |
| Commercial and industrial loans | 10 | 290 | 238 | 2 | 19 | 20 |
| **Total** | **10** | **290** | **238** | **3** | **20** | **20** |

In 3Q14, most loan modifications of the Group included interest rate reductions to rates lower than the current market rate for new loans with similar risk, partially in combination with extended repayment terms and/or amended collateral terms. Certain restructurings included a reduction of the principal loan balance and/or accrued interest.

In 3Q14, 2Q14, 3Q13, 9M14 and 9M13, the Group did not experience a default on any loan which had been restructured within the previous 12 months.

## 17 Other assets and other liabilities

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Other assets (CHF million)** | | | | |
| Cash collateral on derivative instruments | 9,278 | 8,097 | 8,359 | 8,739 |
| Cash collateral on non-derivative transactions | 3,560 | 2,445 | 1,412 | 1,866 |
| Derivative instruments used for hedging | 1,556 | 2,100 | 2,062 | 2,365 |
| Assets held-for-sale | 22,482 | 20,102 | 19,306 | 18,128 |
| of which loans | 22,073 | 19,755 | 18,914 | 17,663 |
| of which real estate | 409 | 347 | 392 | 465 |
| Assets held for separate accounts | 7,709 | 9,046 | 11,236 | 11,921 |
| Interest and fees receivable | 6,701 | 6,041 | 4,859 | 4,958 |
| Deferred tax assets | 5,833 | 5,557 | 6,185 | 6,106 |
| Prepaid expenses | 592 | 649 | 552 | 713 |
| Failed purchases | 3,062 | 2,996 | 2,365 | 2,421 |
| Other | 7,841 | 7,656 | 6,729 | 6,312 |
| **Other assets** | **68,614** | **64,689** | **63,065** | **63,529** |
| **Other liabilities (CHF million)** | | | | |
| Cash collateral on derivative instruments | 15,727 | 12,844 | 11,663 | 12,013 |
| Cash collateral on non-derivative transactions | 983 | 740 | 955 | 1,064 |
| Derivative instruments used for hedging | 321 | 202 | 384 | 469 |
| Provisions [1] | 3,079 | 2,653 | 2,641 | 1,340 |
| of which off-balance sheet risk | 94 | 59 | 60 | 61 |
| Liabilities held for separate accounts | 7,709 | 9,046 | 11,236 | 11,921 |
| Interest and fees payable | 6,364 | 6,055 | 5,641 | 6,238 |
| Current tax liabilities | 905 | 788 | 864 | 943 |
| Deferred tax liabilities | 441 | 423 | 394 | 167 |
| Failed sales | 1,442 | 1,267 | 2,396 | 2,596 |
| Other | 15,925 | 14,895 | 15,273 | 15,133 |
| **Other liabilities** | **52,896** | **48,913** | **51,447** | **51,884** |

[1] Includes provisions for bridge commitments.

## 18 Long-term debt

### Long-term debt

| end of | 3Q14 | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Long-term debt (CHF million)** | | | | |
| Senior | 126,813 | 108,419 | 96,048 | 95,910 |
| Subordinated | 24,643 | 23,551 | 21,002 | 19,196 |
| Non-recourse liabilities from consolidated VIEs | 12,220 | 11,857 | 12,992 | 13,715 |
| **Long-term debt** | **163,676** | **143,827** | **130,042** | **128,821** |
| of which reported at fair value | 75,243 | 70,217 | 63,369 | 61,874 |
| of which structured notes | 45,960 | 41,739 | 34,815 | 35,152 |

### Structured notes by product

| end of | 3Q14 | 2Q14 | 4Q13 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 31,332 | 29,855 | 22,605 |
| Fixed income | 7,724 | 6,080 | 6,455 |
| Credit | 5,205 | 4,778 | 5,016 |
| Other | 1,699 | 1,026 | 739 |
| **Total structured notes** | **45,960** | **41,739** | **34,815** |

## 19 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income** |
|---|---|---|---|---|---|---|
| **3Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **18** | **(13,860)** | **72** | **(2,680)** | **473** | **(15,977)** |
| Increase/(decrease) | (9) | 1,648 | 5 | 10 | 19 | 1,673 |
| Increase/(decrease) due to equity method investments | (1) | 0 | 0 | 0 | 0 | (1) |
| Reclassification adjustments, included in net income | (5) | 0 | (14) | 38 | (19) | 0 |
| Total increase/(decrease) | (15) | 1,648 | (9) | 48 | 0 | 1,672 |
| **Balance at end of period** | **3** | **(12,212)** | **63** | **(2,632)** | **473** | **(14,305)** |
| **2Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **6** | **(13,922)** | **60** | **(2,722)** | **495** | **(16,083)** |
| Increase/(decrease) | 12 | 62 | 12 | 4 | 0 | 90 |
| Increase/(decrease) due to equity method investments | 5 | 0 | 0 | 0 | 0 | 5 |
| Reclassification adjustments, included in net income | (5) | 0 | 0 | 38 | (22) | 11 |
| Total increase/(decrease) | 12 | 62 | 12 | 42 | (22) | 106 |
| **Balance at end of period** | **18** | **(13,860)** | **72** | **(2,680)** | **473** | **(15,977)** |
| **3Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(42)** | **(12,124)** | **63** | **(3,650)** | **552** | **(15,201)** |
| Increase/(decrease) | 15 | (1,071) | 0 | (9) | 0 | (1,065) |
| Increase/(decrease) due to equity method investments | 5 | 0 | 0 | 0 | 0 | 5 |
| Reclassification adjustments, included in net income | 0 | 38 | 0 | 66 | (22) | 82 |
| Total increase/(decrease) | 20 | (1,033) | 0 | 57 | (22) | (978) |
| **Balance at end of period** | **(22)** | **(13,157)** | **63** | **(3,593)** | **530** | **(16,179)** |
| **9M14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| Increase/(decrease) | 15 | 1,462 | 25 | 11 | 19 | 1,532 |
| Increase/(decrease) due to equity method investments | 12 | 0 | 0 | 0 | 0 | 12 |
| Reclassification adjustments, included in net income | (13) | 0 | (14) | 114 | (61) | 26 |
| Total increase/(decrease) | 14 | 1,462 | 11 | 125 | (42) | 1,570 |
| **Balance at end of period** | **3** | **(12,212)** | **63** | **(2,632)** | **473** | **(14,305)** |
| **9M13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | (2) | (476) | (21) | 12 | 0 | (487) |
| Increase/(decrease) due to equity method investments | 7 | 0 | 0 | 0 | 0 | 7 |
| Reclassification adjustments, included in net income | 2 | 86 | 0 | 196 | (80) | 204 |
| Total increase/(decrease) | 7 | (390) | (21) | 208 | (80) | (276) |
| **Balance at end of period** | **(22)** | **(13,157)** | **63** | **(3,593)** | **530** | **(16,179)** |

## Details on significant reclassification adjustments

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | | | | | |
| **Cumulative translation adjustments** | | | | | |
| Sale of subsidiaries | **0** | **0** | **38** [1] | **0** | **86** [1] |
| **Actuarial gains/(losses)** | | | | | |
| Amortization of recognized actuarial losses [2] | 50 | 50 | 87 | 150 | 261 |
| Tax expense/(benefit) | (12) | (12) | (21) | (36) | (65) |
| **Net of tax** | **38** | **38** | **66** | **114** | **196** |
| **Net prior service credit/(cost)** | | | | | |
| Amortization of recognized prior service credit/(cost) [2] | (25) | (28) | (27) | (78) | (101) |
| Tax expense | 6 | 6 | 5 | 17 | 21 |
| **Net of tax** | **(19)** | **(22)** | **(22)** | **(61)** | **(80)** |

[1] Includes net releases of CHF 38 million and CHF 46 million in 3Q13 and 1Q13, respectively, on the sale of JO Hambro which was settled in 3Q13. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.
[2] These components are included in the computation of total benefit costs. Refer to "Note 23 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **1,607,168,947** | **1,596,119,349** | **1,594,295,735** | **1,596,119,349** | **1,320,829,922** |
| Issuance of common shares | 0 | 11,049,598 | 1,138,163 | 11,049,598 | 274,603,976 |
| of which MACCS settlement | – | – | – | – | 199,964,015 |
| of which share-based compensation | 0 | 11,049,598 | 1,138,163 | 11,049,598 | 37,087,674 |
| **Balance at end of period** | **1,607,168,947** | **1,607,168,947** | **1,595,433,898** | **1,607,168,947** | **1,595,433,898** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(7,196,146)** | **(8,866,124)** | **(2,328,381)** | **(5,183,154)** | **(27,036,831)** |
| Sale of treasury shares | 122,001,600 | 78,696,088 | 65,251,532 | 268,667,813 | 296,173,698 |
| of which MACCS settlement | – | – | – | – | 33,488,655 |
| Repurchase of treasury shares | (121,898,106) | (101,311,442) | (66,054,256) | (295,516,053) | (278,183,451) |
| Share-based compensation | 737,202 | 24,285,332 | 98,272 | 25,675,944 | 6,013,751 |
| **Balance at end of period** | **(6,355,450)** | **(7,196,146)** | **(3,032,833)** | **(6,355,450)** | **(3,032,833)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **1,600,813,497** [1] | **1,599,972,801** [2] | **1,592,401,065** [3] | **1,600,813,497** [1] | **1,592,401,065** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,735,049 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 20 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives mainly under ISDA Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of derivatives

| | 3Q14 | | 4Q13 | |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 237.4 | 231.3 | 265.4 | 262.1 |
| OTC | 185.5 | 182.0 | 183.0 | 178.1 |
| Exchange-traded | 0.1 | 0.0 | 0.3 | 0.0 |
| **Interest rate products** | **423.0** | **413.3** | **448.7** | **440.2** |
| OTC | 82.2 | 94.9 | 58.5 | 68.2 |
| Exchange-traded | 0.1 | 0.2 | 0.1 | 0.2 |
| **Foreign exchange products** | **82.3** | **95.1** | **58.6** | **68.4** |
| OTC | 15.1 | 16.4 | 15.5 | 18.6 |
| Exchange-traded | 15.9 | 17.7 | 14.8 | 15.1 |
| **Equity/index-related products** | **31.0** | **34.1** | **30.3** | **33.7** |
| OTC-cleared | 6.6 | 6.1 | 5.2 | 5.1 |
| OTC | 18.3 | 18.8 | 20.8 | 21.2 |
| **Credit derivatives** | **24.9** | **24.9** | **26.0** | **26.3** |
| OTC | 3.9 | 3.0 | 4.4 | 4.0 |
| Exchange-traded | 0.6 | 0.6 | 0.5 | 0.8 |
| **Other products** | **4.5** | **3.6** | **4.9** | **4.8** |
| OTC-cleared | 244.0 | 237.4 | 270.6 | 267.2 |
| OTC | 305.0 | 315.1 | 282.2 | 290.1 |
| Exchange-traded | 16.7 | 18.5 | 15.7 | 16.1 |
| **Total gross derivatives subject to enforceable master netting agreements** | **565.7** | **571.0** | **568.5** | **573.4** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (241.3) | (237.3) | (269.1) | (267.0) |
| OTC | (279.8) | (289.8) | (260.7) | (265.7) |
| Exchange-traded | (16.1) | (16.9) | (15.1) | (15.1) |
| **Offsetting** | **(537.2)** | **(544.0)** | **(544.9)** | **(547.8)** |
| of which counterparty netting | (515.2) | (515.2) | (523.9) | (523.9) |
| of which cash collateral netting | (22.0) | (28.8) | (21.0) | (23.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 2.7 | 0.1 | 1.5 | 0.2 |
| OTC | 25.2 | 25.3 | 21.5 | 24.4 |
| Exchange-traded | 0.6 | 1.6 | 0.6 | 1.0 |
| **Total net derivatives subject to enforceable master netting agreements** | **28.5** | **27.0** | **23.6** | **25.6** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **11.0** | **10.8** | **10.1** | **11.3** |
| **Total net derivatives presented in the consolidated balance sheets** | **39.5** | **37.8** | **33.7** | **36.9** |
| of which recorded in trading assets and trading liabilities | 37.9 | 37.5 | 31.6 | 36.5 |
| of which recorded in other assets and other liabilities | 1.6 | 0.3 | 2.1 | 0.4 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

### Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of September 30, 2014 and December 31, 2013. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| | | | 3Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 128.8 | (30.4) | 98.4 | 112.0 | (25.1) | 86.9 |
| Securities borrowing transactions | 32.3 | (6.9) | 25.4 | 22.7 | (1.7) | 21.0 |
| **Total subject to enforceable master netting agreements** | **161.1** | **(37.3)** | **123.8** | **134.7** | **(26.8)** | **107.9** |
| **Total not subject to enforceable master netting agreements** [1] | **63.5** | **–** | **63.5** | **52.1** | **–** | **52.1** |
| **Total** | **224.6** | **(37.3)** | **187.3** [2] | **186.8** | **(26.8)** | **160.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 108,076 million and CHF 96,587 million of the total net amount as of the end of 3Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 3Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 84.3 | (34.4) | 49.9 | 86.5 | (26.8) | 59.7 |
| Securities lending transactions | 12.9 | (2.9) | 10.0 | 6.6 | 0.0 | 6.6 |
| Obligation to return securities received as collateral, at fair value | 18.9 | 0.0 | 18.9 | 18.5 | 0.0 | 18.5 |
| **Total subject to enforceable master netting agreements** | **116.1** | **(37.3)** | **78.8** | **111.6** | **(26.8)** | **84.8** |
| **Total not subject to enforceable master netting agreements** [1] | **33.3** | **–** | **33.3** | **32.0** | **–** | **32.0** |
| **Total** | **149.4** | **(37.3)** | **112.1** | **143.6** | **(26.8)** | **116.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 127.2 | (37.3) | 89.9 [2] | 120.8 | (26.8) | 94.0 [2] |
| of which obligation to return securities received as collateral, at fair value | 22.2 | 0.0 | 22.2 | 22.8 | 0.0 | 22.8 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 64,269 million and CHF 76,104 million of the total net amount as of the end of 3Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

## Amounts not offset in the consolidated balance sheets

| | | | | 3Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 28.5 | 5.8 | 0.1 | 22.6 | 23.6 | 4.9 | 0.1 | 18.6 |
| Securities purchased under resale agreements | 98.4 | 98.4 | 0.0 | 0.0 | 86.9 | 86.9 | 0.0 | 0.0 |
| Securities borrowing transactions | 25.4 | 24.8 | 0.0 | 0.6 | 21.0 | 20.2 | 0.0 | 0.8 |
| **Total financial assets subject to enforceable master netting agreements** | **152.3** | **129.0** | **0.1** | **23.2** | **131.5** | **112.0** | **0.1** | **19.4** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 27.0 | 12.0 | 0.0 | 15.0 | 25.6 | 9.9 | 0.0 | 15.7 |
| Securities sold under repurchase agreements | 49.9 | 49.7 | 0.0 | 0.2 | 59.7 | 59.7 | 0.0 | 0.0 |
| Securities lending transactions | 10.0 | 9.5 | 0.0 | 0.5 | 6.6 | 6.2 | 0.0 | 0.4 |
| Obligation to return securities received as collateral, at fair value | 18.9 | 17.9 | 0.0 | 1.0 | 18.5 | 17.5 | 0.0 | 1.0 |
| **Total financial liabilities subject to enforceable master netting agreements** | **105.8** | **89.1** | **0.0** | **16.7** | **110.4** | **93.3** | **0.0** | **17.1** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative for the Group's counterparty exposure.

## 21 Tax

The income tax expense of CHF 366 million recorded in 3Q14 mainly reflected the impact of the geographical mix of results.

The presentation of income tax expense and deferred tax assets and liabilities is in accordance with ASC Topic 740 – Income Taxes – guidance to interim reporting.

The quarterly income tax expense includes the impact of the continuous re-assessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of September 30, 2014, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 6.6 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 78 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2010; Brazil – 2009; Japan – 2009; the UK – 2006; the US – 2006; and the Netherlands – 2005.

### Effective tax rate

| in | **3Q14** | 2Q14 | 3Q13 | **9M14** | 9M13 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | **27.4** | (88.7) | 40.4 | **44.5** | 30.2 |

### Tax expense reconciliation

| in | **3Q14** |
|---|---|
| **CHF million** | |
| **Income tax expense/(benefit) computed at the Swiss statutory tax rate of 22%** | **294** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | (27) |
| Other non-deductible expenses | 87 |
| Changes in deferred tax valuation allowance | 43 |
| Lower taxed income | (82) |
| Income taxable to noncontrolling interests | (15) |
| Change in recognition of outside basis difference | 243 |
| Tax deductible impairments of Swiss subsidiary investments | (174) |
| Other | (3) |
| **Income tax expense** | **366** |

#### Foreign tax rate differential

3Q14 included a foreign tax benefit of CHF 27 million in respect of earnings in higher tax jurisdictions, such as the US, as well as earnings in lower tax jurisdictions, such as Singapore.

#### Other non-deductible expenses

3Q14 included the impact of non-deductible interest expenses of CHF 52 million, non-deductible bank levy costs and other non-deductible expenses of CHF 35 million.

#### Changes in deferred tax valuation allowance

3Q14 included the impact of the increase of valuation allowances of CHF 44 million mainly in respect of four of the Group's operating entities, three in Europe and one in Asia, related to estimated current year earnings.

#### Lower taxed income

3Q14 included the impact of a beneficial earnings mix in one of the Group's operating entities in Switzerland of CHF 44 million, a CHF 21 million income tax benefit related to non-taxable life insurance income and various other smaller items totaling CHF 17 million.

#### Change in recognition of outside basis difference

3Q14 included a CHF 243 million income tax charge related to a partial reversal of the outside basis differences relating to Swiss subsidiary investments.

### Net deferred tax assets

| end of | 3Q14 | 2Q14 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 5,833 | 5,557 |
| of which net operating losses | 990 | 758 |
| of which deductible temporary differences | 4,843 | 4,799 |
| Deferred tax liabilities | (441) | (423) |
| **Net deferred tax assets** | **5,392** | **5,134** |

## 22 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, Contingent Capital Awards, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Adjustable Performance Plan awards, Restricted Cash Awards, Scaled Incentive Share Units (SISUs), Incentive Share Units (ISUs) and other cash awards.

▸ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

The following tables show the expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 3Q14 and prior periods and the associated remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized deferred compensation expense was based on the fair value of each award on the date of grant and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 232 | 227 | 183 | 709 | 640 |
| Performance share awards | 145 | 156 | 138 | 473 | 468 |
| Contingent Capital Awards | 17 | 79 | – | 192 | – |
| Capital Opportunity Facility awards | 4 | 4 | – | 9 | – |
| Plus Bond awards [1] | 8 | 7 | 10 | 25 | 26 |
| 2011 Partner Asset Facility awards [2] | 1 | (1) | 50 | 11 | 20 |
| Adjustable Performance Plan share awards [3] | 2 | (3) | 6 | 0 | 27 |
| Adjustable Performance Plan cash awards [3] | 3 | (11) | 7 | (10) | 6 |
| Restricted Cash Awards | 23 | 24 | 26 | 70 | 117 |
| Scaled Incentive Share Units [3] | 0 | (3) | 8 | (3) | 32 |
| Incentive Share Units [4] | 0 | 0 | 0 | 0 | (2) |
| 2008 Partner Asset Facility awards [2] | (2) | 61 | 27 | 81 | 80 |
| Other cash awards | 95 | 98 | 97 | 321 | 334 |
| Discontinued operations | 1 | (6) | (11) | (8) | (17) |
| **Total deferred compensation expense** | **529** | **632** | **541** | **1,870** | **1,731** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.
[3] Includes forfeitures and downward adjustments according to the plan terms and conditions.
[4] Includes forfeitures.

## Additional information

| end of | 3Q14 |
|---|---|
| **Estimated unrecognized deferred compensation expense (CHF million)** | |
| Share awards | 965 |
| Performance share awards | 380 |
| Contingent Capital Awards | 247 |
| Capital Opportunity Facility awards | 6 |
| Plus Bond awards | 8 |
| Adjustable Performance Plan share awards | 2 |
| Adjustable Performance Plan cash awards | 3 |
| Restricted Cash Awards | 62 |
| Other cash awards | 193 |
| **Estimated unrecognized deferred compensation expense** | **1,866** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

## Share-based award activity

| | | | | | 3Q14 | | | | | 9M14 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards |
| **Share-based award activities** | | | | | | | | | | |
| **Balance at beginning of period** | **78.4** | **49.4** | **7.5** | **0.1** | **0.7** | **72.9** | **41.4** | **14.5** | **4.7** | **1.2** |
| Granted | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 35.9 | 24.3 | 0.8 [1] | 0.0 | 0.0 |
| Settled | (1.0) | (0.1) | 0.0 | (0.1) | 0.0 | (29.0) | (16.0) | (7.6) | (4.6) | 0.0 |
| Forfeited | (0.7) | (0.2) | 0.0 | 0.0 | 0.0 | (2.4) | (0.6) | (0.2) | (0.1) | (0.5) |
| **Balance at end of period** | **77.4** | **49.1** | **7.5** | **0.0** | **0.7** | **77.4** | **49.1** | **7.5** | **0.0** | **0.7** |
| of which vested | 5.8 | 3.0 | 1.1 | 0.0 | 0.1 | 5.8 | 3.0 | 1.1 | 0.0 | 0.1 |
| of which unvested | 71.6 | 46.1 | 6.4 | 0.0 | 0.6 | 71.6 | 46.1 | 6.4 | 0.0 | 0.6 |

[1] Represents additional units earned in 1Q14 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## 23 Pension and other post-retirement benefits

The Group expects to contribute CHF 566 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2014. As of the end of 3Q14, CHF 465 million of contributions had been made.

### Components of total benefit costs

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Total benefit costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 68 | 69 | 93 | 206 | 281 |
| Interest costs on benefit obligation | 121 | 120 | 109 | 361 | 326 |
| Expected return on plan assets | (182) | (181) | (184) | (544) | (552) |
| Amortization of recognized prior service cost/(credit) | (24) | (22) | (23) | (68) | (69) |
| Amortization of recognized actuarial losses | 49 | 50 | 87 | 149 | 260 |
| **Net periodic benefit costs** | **32** | **36** | **82** | **104** | **246** |
| Settlement losses/(gains) | (2) | 0 | 0 | (2) | 1 |
| Curtailment losses/(gains) | 0 | (7) | (4) | (10) | (32) |
| Special termination benefits | 4 | 4 | 4 | 11 | 16 |
| **Total benefit costs** | **34** | **33** | **82** | **103** | **231** |

## 24 Derivatives and hedging activities

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 27 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| end of 3Q14 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 12,234.7 | 3.7 | 4.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 28,984.9 | 363.7 | 357.8 | 51.2 | 2.5 | 0.9 |
| Options bought and sold (OTC) | 3,767.5 | 53.9 | 51.8 | 0.0 | 0.0 | 0.0 |
| Futures | 1,715.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 621.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **47,323.3** | **421.5** | **413.8** | **51.2** | **2.5** | **0.9** |
| Forwards | 2,075.5 | 30.6 | 30.3 | 19.7 | 0.1 | 0.6 |
| Swaps | 1,483.2 | 44.1 | 55.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 1,122.0 | 13.0 | 13.9 | 11.1 | 0.0 | 0.1 |
| Futures | 50.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 12.8 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,744.0** | **87.9** | **100.3** | **30.8** | **0.1** | **0.7** |
| Forwards | 3.6 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 299.9 | 5.9 | 7.7 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 265.5 | 11.3 | 10.3 | 0.0 | 0.0 | 0.0 |
| Futures | 47.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 451.0 | 16.4 | 18.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **1,067.0** | **34.3** | **36.3** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [2] | **1,389.8** | **25.5** | **25.5** | **0.0** | **0.0** | **0.0** |
| Forwards | 17.2 | 0.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| Swaps | 36.1 | 3.0 | 2.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 31.4 | 0.8 | 0.8 | 0.0 | 0.0 | 0.0 |
| Futures | 23.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 42.9 | 0.5 | 0.7 | 0.0 | 0.0 | 0.0 |
| **Other products** [3] | **150.9** | **4.9** | **4.3** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **54,675.0** | **574.1** | **580.2** | **82.0** | **2.6** | **1.6** |

The notional amount, PRV and NRV (trading and hedging) was CHF 54,757.0 billion, CHF 576.7 billion and CHF 581.8 billion, respectively, as of September 30, 2014.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Primarily credit default swaps.

3 Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 4Q13 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging[1] Notional amount | Hedging[1] Positive replacement value (PRV) | Hedging[1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,589.6 | 399.6 | 393.8 | 68.5 | 2.8 | 0.7 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,382.0** | **446.7** | **441.5** | **68.5** | **2.8** | **0.7** |
| Forwards | 2,098.0 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.1 | 28.9 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.0** | **61.3** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.3 | 12.2 | 12.0 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.2** | **35.3** | **37.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives**[2] | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.4 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.2 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products**[3] | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,327.3** | **575.5** | **583.9** | **108.4** | **3.1** | **0.8** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.7 billion, CHF 578.6 billion and CHF 584.7 billion, respectively, as of December 31, 2013.
1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.
2 Primarily credit default swaps.
3 Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 20 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | (97) | (26) | 41 | (413) | 378 |
| Foreign exchange products | 0 | 2 | 0 | 2 | (8) |
| **Total** | **(97)** | **(24)** | **41** | **(411)** | **370** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | 100 | 16 | (41) | 416 | (380) |
| Foreign exchange products | 0 | (2) | 0 | (2) | 8 |
| **Total** | **100** | **14** | **(41)** | **414** | **(372)** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | 3 | (10) | 0 | 3 | (2) |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | 1 | 13 | 18 | 28 | (2) |
| Foreign exchange products | (12) | 5 | 5 | 2 | 7 |
| **Total** | **(11)** | **18** | **23** | **30** | **5** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products [1] | 6 | 5 | 1 | 15 | 1 |
| Foreign exchange products [2] | (1) | 0 | (1) | (2) | (3) |
| Total | **5** | **5** | **0** | **13** | **(2)** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [1] | 1 | (1) | 1 | 0 | 1 |

[1] Included in trading revenues.
[2] Included in other revenues.

As of the end of 3Q14, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months is CHF 4 million.

## Net investment hedges

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | (1,319) | (279) | 597 | (1,539) | 306 |
| **Total** | **(1,319)** | **(279)** | **597** | **(1,539)** | **306** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Foreign exchange products [1] | 0 | 0 | 2 | 0 | 2 |
| **Total** | **0** | **0** | **2** | **0** | **2** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| | | | | 3Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 13.4 | 0.9 | 0.2 | **14.5** | 11.7 | 1.1 | 0.1 | **12.9** |
| Collateral posted | 11.7 | 0.9 | – | **12.6** | 10.6 | 1.2 | – | **11.8** |
| Additional collateral required in a one-notch downgrade event | 0.7 | 0.6 | 0.1 | **1.4** | 0.6 | 0.8 | 0.0 | **1.4** |
| Additional collateral required in a two-notch downgrade event | 2.1 | 0.8 | 0.1 | **3.0** | 2.3 | 1.1 | 0.0 | **3.4** |

### Credit derivatives

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. TRS of CHF 12.2 billion and CHF 7.4 billion as of the end of 3Q14 and 4Q13, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

#### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

#### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

#### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

#### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

## Credit protection sold/purchased

| | 3Q14 | | | | | 4Q13 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (278.3) | 264.6 | (13.7) | 34.8 | 5.2 | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 |
| Non-investment grade | (106.9) | 102.4 | (4.5) | 13.8 | 1.3 | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 |
| **Total single-name instruments** | **(385.2)** | **367.0** | **(18.2)** | **48.6** | **6.5** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** |
| of which sovereign | (78.9) | 75.9 | (3.0) | 9.1 | (0.1) | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) |
| of which non-sovereign | (306.3) | 291.1 | (15.2) | 39.5 | 6.6 | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (192.8) | 188.7 | (4.1) | 40.9 | 2.5 | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 |
| Non-investment grade | (67.1) | 62.2 [3] | (4.9) | 13.8 | 1.8 | (65.0) | 59.0 [3] | (6.0) | 13.5 | 1.5 |
| **Total multi-name instruments** | **(259.9)** | **250.9** | **(9.0)** | **54.7** | **4.3** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** |
| of which sovereign | (10.6) | 10.4 | (0.2) | 1.2 | 0.0 | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 |
| of which non-sovereign | (249.3) | 240.5 | (8.8) | 53.5 | 4.3 | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (471.1) | 453.3 | (17.8) | 75.7 | 7.7 | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 |
| Non-investment grade | (174.0) | 164.6 | (9.4) | 27.6 | 3.1 | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 |
| **Total instruments** | **(645.1)** | **617.9** | **(27.2)** | **103.3** | **10.8** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** |
| of which sovereign | (89.5) | 86.3 | (3.2) | 10.3 | (0.1) | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) |
| of which non-sovereign | (555.6) | 531.6 | (24.0) | 93.0 | 10.9 | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

## Credit derivatives

| end of | **3Q14** | 4Q13 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 645.1 | 698.7 |
| Credit protection purchased | 617.9 | 663.9 |
| Other protection purchased | 103.3 | 109.0 |
| Other instruments [1] | 23.5 | 11.7 |
| **Total credit derivatives** | **1,389.8** | **1,483.3** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

## Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **3Q14 (CHF billion)** | | | | |
| Single-name instruments | 79.4 | 268.6 | 37.2 | 385.2 |
| Multi-name instruments | 29.5 | 210.1 | 20.3 | 259.9 |
| **Total instruments** | **108.9** | **478.7** | **57.5** | **645.1** |
| **4Q13 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |

## 25 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, securities lending indemnifications, derivatives and other guarantees.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a detailed description of guarantees.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **3Q14 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,862 | 1,593 | 4,455 | 4,218 | 15 | 2,165 |
| Performance guarantees and similar instruments | 4,923 | 2,730 | 7,653 | 6,766 | 61 | 3,132 |
| Securities lending indemnifications | 12,729 | 0 | 12,729 | 12,729 | 0 | 12,729 |
| Derivatives [2] | 28,130 | 9,681 | 37,811 | 37,811 | 884 | – [3] |
| Other guarantees | 3,553 | 1,239 | 4,792 | 4,783 | 37 | 2,545 |
| **Total guarantees** | **52,197** | **15,243** | **67,440** | **66,307** | **997** | **20,571** |
| **4Q13 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,688 | 1,526 | 4,214 | 4,066 | 14 | 2,333 |
| Performance guarantees and similar instruments | 4,910 | 3,136 | 8,046 | 7,125 | 107 | 3,312 |
| Securities lending indemnifications | 11,479 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 13,403 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 4,003 | 1,212 | 5,215 | 5,191 | 3 | 2,631 |
| **Total guarantees** | **41,327** | **19,277** | **60,604** | **59,511** | **839** | **19,755** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2014 to June 30, 2015 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to September 30, 2014 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 3Q14, 2Q14 and 3Q13, including realized losses from the repurchase of residential mortgage loans sold.

### Residential mortgage loans sold

| January 1, 2004 to September 30, 2014 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 24.8 |
| Non-agency securitizations | 136.1 [2] |
| **Total residential mortgage loans sold** | **169.1** |

[1] Primarily banks.
[2] Of the total residential mortgage loans sold to non-agency securitizations USD 26.1 billion were outstanding as of the end of 3Q14. The difference of the total balance of mortgage loans sold and the outstanding balance as of the end of 3Q14 is attributable to borrower payments of USD 90.7 billion and losses of USD 19.3 billion due to loan defaults.

### Residential mortgage loans sold – outstanding repurchase claims

| | | | | **3Q14** | | | | 2Q14 |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | **Total** | Government-sponsored enterprises | Private investors | Non-agency securitizations | **Total** |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **67** | **3** | **83** | **153** | **69** | **418** | **83** | **570** |
| New claims | 1 | 0 | 54 | 55 | 3 | 0 | 314 | 317 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other settlements | 0 | 0 | 0 | 0 | (1) | (415) | 0 | (416) [1] |
| Total claims settled | 0 | 0 | 0 | 0 | (1) | (415) | 0 | (416) |
| Claims rescinded | (1) | 0 | 0 | (1) | (4) | 0 | 0 | (4) |
| Transfers to/from arbitration and litigation, net [2] | 0 | 0 | (54) | (54) | 0 | 0 | (314) | (314) |
| **Balance at end of period** | **67** | **3** | **83** | **153** | **67** | **3** | **83** | **153** |

| | | | | 3Q13 |
|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | **Total** |
| **Outstanding repurchase claims (USD million)** | | | | |
| **Balance at beginning of period** | **81** | **420** | **1,194** | **1,695** |
| New claims | 12 | 22 | 9 | 43 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 |
| Other settlements | (18) | (23) | 0 | (41) [1] |
| Total claims settled | (18) | (23) | 0 | (41) |
| Claims rescinded | (9) | 0 | 0 | (9) |
| Transfers to/from arbitration and litigation, net [2] | 0 | 0 | (1,131) | (1,131) |
| **Balance at end of period** | **66** | **419** | **72** | **557** |

[1] Settled at USD 59 million and USD 20 million in 2Q14 and 3Q13, respectively.
[2] Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.

### Residential mortgage loans sold – outstanding repurchase claims (continued)

| | | | | 9M14 | | | | 9M13 |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |
| New claims | 10 | 1 | 374 | 385 | 48 | 137 | 498 | 683 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 | (4) | 0 | (2) | (6) [1] |
| Other settlements | (4) | (416) | (5) | (425) [2] | (26) | (178) | (7) | (211) [2] |
| Total claims settled | (4) | (416) | (5) | (425) | (30) | (178) | (9) | (217) |
| Claims rescinded | (16) | 0 | 0 | (16) | (19) | (4) | 0 | (23) |
| Transfers to/from arbitration and litigation, net [3] | 0 | (2) | (369) | (371) | 0 | 0 | (1,812) | (1,812) |
| **Balance at end of period** | **67** | **3** | **83** | **153** | **66** | **419** | **72** | **557** |

1 Settled at a repurchase price of USD 6 million.
2 Settled at USD 66 million and USD 45 million in 9M14 and 9M13, respectively.
3 Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.

### Provisions for outstanding repurchase claims

| | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Provisions for outstanding repurchase claims (USD million)** [1] | | | | | |
| **Balance at beginning of period** | **60** | **136** | **98** | **146** | **55** |
| Increase/(decrease) in provisions, net | 0 | (17) | 10 | (20) | 84 |
| Realized losses [2] | 0 | (59) [3] | (20) [4] | (66) [3] | (51) [4] |
| **Balance at end of period** [5] | **60** | **60** | **88** | **60** | **88** |

1 Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 29 – Litigation" for further information.
2 Includes indemnifications paid to resolve loan repurchase claims.
3 Primarily related to private investors.
4 Primarily related to government-sponsored enterprises and private investors.
5 Primarily related to government-sponsored enterprises.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

▸ Refer to "Note 29 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

#### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

‣ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these commitments.

### Other commitments

| | 3Q14 | | | | | 4Q13 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 5,342 | 30 | 5,372 | 5,180 | 3,357 | 5,484 | 28 | 5,512 | 5,452 | 3,381 |
| Irrevocable loan commitments [2] | 34,096 | 84,957 | 119,053 | 115,312 | 57,719 | 27,250 | 69,740 | 96,990 | 92,732 | 47,996 |
| Forward reverse repurchase agreements | 32,350 | 0 | 32,350 | 32,350 | 32,350 | 26,893 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 900 | 1,179 | 2,079 | 2,079 | 0 | 2,481 | 1,410 | 3,891 | 3,891 | 350 |
| **Total other commitments** | **72,688** | **86,166** | **158,854** | **154,921** | **93,426** | **62,108** | **71,178** | **133,286** | **128,968** | **78,620** |

1 Total net amount is computed as the gross amount less any participations.
2 Irrevocable loan commitments do not include a total gross amount of CHF 102,069 million and CHF 90,254 million of unused credit limits as of the end of 3Q14 and 4Q13, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 26 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue CMBS, RMBS and ABS that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 9M14 and 9M13 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 9M14 | 9M13 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 8 | 1 |
| Proceeds from transfer of assets | 3,007 | 4,204 |
| Cash received on interests that continue to be held | 74 | 50 |
| **RMBS** | | |
| Net gain/(loss) [1] | 13 | (7) |
| Proceeds from transfer of assets | 20,113 | 20,200 |
| Purchases of previously transferred financial assets or its underlying collateral | (4) | (8) |
| Servicing fees | 1 | 3 |
| Cash received on interests that continue to be held | 303 | 400 |
| **Other asset-backed financings** | | |
| Net gain [1] | 20 | 12 |
| Proceeds from transfer of assets | 1,249 | 740 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | (213) |
| Cash received on interests that continue to be held | 5 | 605 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 3Q14 and 4Q13, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 3Q14 | 4Q13 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 38,395 | 37,308 |
| Total assets of SPE | 42,882 | 48,715 |
| **RMBS** | | |
| Principal amount outstanding | 53,296 | 45,571 |
| Total assets of SPE | 53,436 | 48,741 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 26,160 | 27,854 |
| Total assets of SPE | 26,160 | 27,854 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 27 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | | 9M14 | | 9M13 |
|---|---|---|---|---|
| at time of transfer, in | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 1,493 | 3,374 | 337 | 2,482 |
| of which level 2 | 1,423 | 3,183 | 252 | 2,389 |
| of which level 3 | 70 | 191 | 85 | 93 |
| Weighted-average life, in years | 3.9 | 8.3 | 7.2 | 7.7 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 1.5–23.0 | – [2] | 5.4–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.0–11.0 | 2.0–17.8 | 1.6–11.6 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 1.0–2.0 | 2.0–15.3 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

## Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 3Q14 and 4Q13.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | | | 3Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,931 | 2,704 | 202 | 1,132 | 2,354 | 284 |
| of which non-investment grade | 61 | 206 | 157 | 26 | 359 | 204 |
| Weighted-average life, in years | 5.3 | 8.9 | 4.7 | 6.5 | 8.6 | 3.7 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–31.2 | – | – | 1.0–23.5 | – |
| Impact on fair value from 10% adverse change | – | (31.0) | – | – | (26.6) | – |
| Impact on fair value from 20% adverse change | – | (60.7) | – | – | (48.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.2–22.6 | 1.8–38.3 | 0.2–21.2 | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 |
| Impact on fair value from 10% adverse change | (17.7) | (44.9) | (2.1) | (25.5) | (65.0) | (2.4) |
| Impact on fair value from 20% adverse change | (34.8) | (86.9) | (4.2) | (50.0) | (124.9) | (4.9) |
| Expected credit losses (rate per annum), in % | 1.0–22.0 | 1.5–37.3 | 2.1–9.2 | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 |
| Impact on fair value from 10% adverse change | (8.5) | (27.9) | (0.8) | (10.9) | (42.2) | (0.4) |
| Impact on fair value from 20% adverse change | (16.7) | (54.3) | (1.6) | (21.5) | (79.6) | (0.7) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 3Q14 and 4Q13.

▸ Refer to "Note 28 – Assets pledged and collateral" for further information.

### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 3Q14 | 4Q13 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 28 | 432 |
| Liability to SPE, included in Other liabilities | (28) | (432) |
| **Other asset-backed financings** | | |
| Trading assets | 169 | 216 |
| Other assets | 160 | 157 |
| Liability to SPE, included in Other liabilities | (329) | (373) |

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 52 days and 19 days as of 3Q14 and 4Q13, respectively. As of 3Q14 and 4Q13, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated reverse repurchase agreements as well as advance financing receivables, equipment loans or leases, and student loans. As of 3Q14 and 4Q13, those assets had an average rating of AA, based on the lowest of each asset's internal rating and, where available, external rating, and an average maturity of 1.7 years and 2.1 years as of 3Q14 and 4Q13, respectively.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 3Q14 and 4Q13.

### Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi- tizations | Funds | Loans | Other | **Total** |
| **3Q14 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,033 | 2 | 37 | 117 | 97 | 99 | 1,385 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,292 | 0 | 0 | 0 | 0 | 1,292 |
| Trading assets | 660 | 56 | 247 | 1,505 | 819 | 506 | 3,793 |
| Investment securities | 0 | 48 | 0 | 0 | 0 | 0 | 48 |
| Other investments | 0 | 0 | 0 | 38 | 1,585 | 421 | 2,044 |
| Net loans | 0 | 198 | 861 | 0 | 21 | 579 | 1,659 |
| Premises and equipment | 0 | 0 | 0 | 0 | 450 | 73 | 523 |
| Other assets | 7,236 | 1,568 | 3,703 | 2 | 217 | 1,660 | 14,386 |
| of which loans held-for-sale | 7,200 | 0 | 2,353 | 0 | 54 | 0 | 9,607 |
| **Total assets of consolidated VIEs** | **8,929** | **3,164** | **4,848** | **1,662** | **3,189** | **3,338** | **25,130** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 215 | 215 |
| Trading liabilities | 5 | 0 | 0 | 0 | 6 | 1 | 12 |
| Short-term borrowings | 0 | 10,310 | 0 | 0 | 0 | 0 | 10,310 |
| Long-term debt | 8,797 | 21 | 2,770 | 144 | 93 | 395 | 12,220 |
| Other liabilities | 18 | 29 | 3 | 23 | 150 | 515 | 738 |
| **Total liabilities of consolidated VIEs** | **8,820** | **10,360** | **2,773** | **167** | **249** | **1,126** | **23,495** |
| **4Q13 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 447 | 66 | 513 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 308 | 1,680 | 14,330 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,777** | **3,164** | **27,654** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 153 | 438 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **254** | **1,227** | **18,346** |

## Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **3Q14 (CHF million)** | | | | | | |
| Trading assets | 186 | 5,503 | 1,375 | 581 | 600 | 8,245 |
| Net loans | 325 | 1,198 | 2,969 | 1,564 | 1,676 | 7,732 |
| Other assets | 0 | 4 | 26 | 0 | 193 | 223 |
| **Total variable interest assets** | **511** | **6,705** | **4,370** | **2,145** | **2,469** | **16,200** |
| **Maximum exposure to loss** | **1,407** | **11,533** | **4,525** | **6,295** | **2,469** | **26,229** |
| **Non-consolidated VIE assets** | **9,154** | **111,132** | **60,261** | **32,928** | **23,348** | **236,823** |
| **4Q13 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,812 | 2,856 | 1,282 | 7,565 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,838** | **3,581** | **2,001** | **15,138** |
| **Maximum exposure to loss** | **186** | **7,496** | **4,026** | **7,433** | **2,090** | **21,231** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **19,450** | **217,838** |

## 27 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's concentrations of credit risk.

## FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as CVA) is considered when measuring the fair value of assets and the impact of changes in the Group's own credit spreads (known as DVA) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Assets and liabilities measured at fair value on a recurring basis

| end of 3Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 347 | 0 | 0 | 347 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 108,002 | 74 | 0 | 108,076 |
| Debt | 250 | 584 | 0 | 0 | 834 |
| of which corporates | 0 | 504 | 0 | 0 | 504 |
| Equity | 21,373 | 39 | 0 | 0 | 21,412 |
| Securities received as collateral | 21,623 | 623 | 0 | 0 | 22,246 |
| Debt | 40,751 | 63,007 | 4,761 | 0 | 108,519 |
| of which foreign governments | 40,331 | 5,075 | 698 | 0 | 46,104 |
| of which corporates | 24 | 24,621 | 1,409 | 0 | 26,054 |
| of which RMBS | 0 | 24,813 | 553 | 0 | 25,366 |
| of which CMBS | 0 | 5,437 | 285 | 0 | 5,722 |
| of which CDO | 0 | 3,059 | 1,529 | 0 | 4,588 |
| Equity | 76,742 | 7,467 | 868 | 0 | 85,077 |
| Derivatives | 7,812 | 560,642 | 5,572 | (536,166) | 37,860 |
| of which interest rate products | 1,223 | 418,453 | 1,674 | – | – |
| of which foreign exchange products | 321 | 87,235 | 386 | – | – |
| of which equity/index-related products | 6,074 | 26,963 | 1,267 | – | – |
| of which credit derivatives | 0 | 24,268 | 1,232 | – | – |
| Other | 2,920 | 6,890 | 4,563 | 0 | 14,373 |
| Trading assets | 128,225 | 638,006 | 15,764 | (536,166) | 245,829 |
| Debt | 1,954 | 421 | 0 | 0 | 2,375 |
| of which foreign governments | 1,654 | 0 | 0 | 0 | 1,654 |
| of which corporates | 0 | 335 | 0 | 0 | 335 |
| of which CDO | 0 | 83 | 0 | 0 | 83 |
| Equity | 2 | 104 | 3 | 0 | 109 |
| Investment securities | 1,956 | 525 | 3 | 0 | 2,484 |
| Private equity | 0 | 0 | 1,309 | 0 | 1,309 |
| of which equity funds | 0 | 0 | 611 | 0 | 611 |
| Hedge funds | 0 | 176 | 338 | 0 | 514 |
| of which debt funds | 0 | 136 | 326 | 0 | 462 |
| Other equity investments | 80 | 88 | 1,813 | 0 | 1,981 |
| of which private | 0 | 69 | 1,813 | 0 | 1,882 |
| Life finance instruments | 0 | 0 | 1,725 | 0 | 1,725 |
| Other investments | 80 | 264 | 5,185 | 0 | 5,529 |
| Loans | 0 | 12,131 | 9,467 | 0 | 21,598 |
| of which commercial and industrial loans | 0 | 5,779 | 6,000 | 0 | 11,779 |
| of which financial institutions | 0 | 5,224 | 1,537 | 0 | 6,761 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 69 | 0 | 69 |
| Other assets | 3,478 | 23,670 | 6,190 | (1,006) | 32,332 |
| of which loans held-for-sale | 0 | 15,592 | 5,588 | 0 | 21,180 |
| **Total assets at fair value** | **155,362** | **783,568** | **36,752** | **(537,172)** | **438,510** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (74) | (142) | (768) | 0 | (984) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,238) | (2,175) | 0 | (10,413) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **155,288** | **775,188** | **33,809** | **(537,172)** | **427,113** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 3Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 885 | 0 | 0 | 885 |
| Customer deposits | 0 | 3,260 | 96 | 0 | 3,356 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 64,269 | 0 | 0 | 64,269 |
| Debt | 250 | 584 | 0 | 0 | 834 |
| of which corporates | 0 | 504 | 0 | 0 | 504 |
| Equity | 21,373 | 39 | 0 | 0 | 21,412 |
| Obligation to return securities received as collateral | 21,623 | 623 | 0 | 0 | 22,246 |
| Debt | 14,478 | 6,239 | 2 | 0 | 20,719 |
| of which foreign governments | 14,371 | 2,032 | 0 | 0 | 16,403 |
| of which corporates | 21 | 3,975 | 2 | 0 | 3,998 |
| Equity | 19,413 | 213 | 14 | 0 | 19,640 |
| Derivatives | 8,866 | 566,433 | 5,005 | (542,761) | 37,543 |
| of which interest rate products | 1,117 | 411,595 | 1,197 | – | – |
| of which foreign exchange products | 405 | 99,355 | 589 | – | – |
| of which equity/index-related products | 7,133 | 27,776 | 1,365 | – | – |
| of which credit derivatives | 0 | 24,085 | 1,415 | – | – |
| Trading liabilities | 42,757 | 572,885 | 5,021 | (542,761) | 77,902 |
| Short-term borrowings | 0 | 6,901 | 165 | 0 | 7,066 |
| Long-term debt | 0 | 63,281 | 11,962 | 0 | 75,243 |
| of which treasury debt over two years | 0 | 8,394 | 0 | 0 | 8,394 |
| of which structured notes over two years | 0 | 29,404 | 8,250 | 0 | 37,654 |
| of which non-recourse liabilities | 0 | 9,066 | 2,198 | 0 | 11,264 |
| Other liabilities | 0 | 17,324 | 3,349 | (1,268) | 19,405 |
| of which failed sales | 0 | 684 | 708 | 0 | 1,392 |
| **Total liabilities at fair value** | **64,380** | **729,428** | **20,593** | **(544,029)** | **270,372** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | **Total** |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,218 | 5,069 | 0 | 110,116 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,268 | 2,128 | 0 | 26,410 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,322 | 5,778 | 595 | 0 | 76,695 |
| Derivatives | 6,610 | 563,649 | 5,217 | (543,873) | 31,603 |
| of which interest rate products | 1,065 | 444,056 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,807 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,763 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,691 | 4,479 | 2,829 | 0 | 10,999 |
| Trading assets | 122,452 | 637,124 | 13,710 | (543,873) | 229,413 |
| Debt | 1,788 | 1,098 | 0 | 0 | 2,886 |
| of which foreign governments | 1,386 | 2 | 0 | 0 | 1,388 |
| of which corporates | 0 | 606 | 0 | 0 | 606 |
| of which CDO | 0 | 490 | 0 | 0 | 490 |
| Equity | 2 | 97 | 2 | 0 | 101 |
| Investment securities | 1,790 | 1,195 | 2 | 0 | 2,987 |
| Private equity | 0 | 0 | 3,345 | 0 | 3,345 |
| of which equity funds | 0 | 0 | 2,236 | 0 | 2,236 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,630 | 0 | 1,645 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,969 | 0 | 7,596 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,530 | 6,159 | (1,032) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **150,484** | **770,575** | **35,084** | **(544,905)** | **411,238** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **150,238** | **761,430** | **29,845** | **(544,905)** | **396,608** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,450 | 0 | 0 | 1,450 |
| Customer deposits | 0 | 3,197 | 55 | 0 | 3,252 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,311 | 2 | 0 | 24,350 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,130 | 2 | 0 | 4,133 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,444 | 5,545 | (547,385) | 36,483 |
| of which interest rate products | 896 | 439,446 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,547 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,622 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,064 | 5,564 | (547,385) | 76,635 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 53,589 | 9,780 | 0 | 63,369 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,679 | 6,217 | 0 | 26,896 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,511 | 2,861 | (399) | 21,973 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **739,391** | **18,539** | **(547,784)** | **271,636** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 9M14, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in exchange traded derivatives as they moved closer to maturity and pricing inputs became more observable.

In 9M14, transfers out of level 1 to level 2 were from trading assets and from trading liabilities. The transfers from trading assets were primarily in debt and exchange traded derivatives as pricing inputs became less observable. The transfers from trading liabilities were primarily in debt as pricing inputs became less observable.

### Transfers between level 1 and level 2

| | **9M14** | | 9M13 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 547 | 522 | 476 | 93 |
| Equity | 460 | 150 | 441 | 169 |
| Derivatives | 5,161 | 491 | 5,012 | 1 |
| **Trading assets** | **6,168** | **1,163** | **5,929** | **263** |
| **Liabilities (CHF million)** | | | | |
| Debt | 320 | 627 | 6 | 18 |
| Equity | 130 | 96 | 250 | 17 |
| Derivatives | 5,330 | 42 | 4,244 | 9 |
| **Trading liabilities** | **5,780** | **765** | **4,500** | **44** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 9M14 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (146) | 0 |
| Debt | 5,069 | 938 | (1,807) | 4,478 |
| of which corporates | 2,128 | 321 | (638) | 834 |
| of which RMBS | 436 | 445 | (459) | 562 |
| of which CMBS | 417 | 68 | (206) | 205 |
| of which CDO | 1,567 | 89 | (267) | 2,230 |
| Equity | 595 | 253 | (362) | 563 |
| Derivatives | 5,217 | 695 | (614) | 0 |
| of which interest rate products | 1,574 | 34 | (14) | 0 |
| of which equity/index-related products | 1,240 | 90 | (238) | 0 |
| of which credit derivatives | 1,138 | 505 | (346) | 0 |
| Other | 2,829 | 414 | (571) | 3,072 |
| Trading assets | 13,710 | 2,300 | (3,354) | 8,113 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,369 | 0 | (20) | 601 |
| Life finance instruments | 1,600 | 0 | 0 | 151 |
| Other investments | 6,969 | 0 | (20) | 752 |
| Loans | 7,998 | 409 | (552) | 498 |
| of which commercial and industrial loans | 5,309 | 229 | (309) | 326 |
| of which financial institutions | 1,322 | 99 | (157) | 11 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 27 |
| Other assets | 6,159 | 2,164 | (2,493) | 5,272 |
| of which loans held-for-sale [2] | 5,615 | 2,164 | (2,468) | 4,943 |
| **Total assets at fair value** | **35,084** | **4,873** | **(6,565)** | **14,662** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (123) | 0 |
| Trading liabilities | 5,564 | 892 | (1,081) | 35 |
| of which interest rate derivatives | 1,129 | 52 | (21) | 0 |
| of which foreign exchange derivatives | 938 | 0 | (2) | 0 |
| of which equity/index-related derivatives | 1,896 | 250 | (667) | 0 |
| of which credit derivatives | 1,230 | 559 | (385) | 0 |
| Short-term borrowings | 165 | 43 | (56) | 0 |
| Long-term debt | 9,780 | 1,245 | (2,915) | 0 |
| of which structured notes over two years | 6,217 | 614 | (1,610) | 0 |
| of which non-recourse liabilities | 2,552 | 586 | (908) | 0 |
| Other liabilities | 2,861 | 102 | (107) | 478 |
| of which failed sales | 1,143 | 70 | (45) | 252 |
| **Total liabilities at fair value** | **18,539** | **2,282** | **(4,282)** | **513** |
| **Net assets/(liabilities) at fair value** | **16,545** | **2,591** | **(2,283)** | **14,149** |

1 For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
2 Includes unrealized gains recorded in trading revenues of CHF 52 million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| Sales | Issuances | Settlements | Trading revenues: On transfers in / out [1] | Trading revenues: On all other | Other revenues: On transfers in / out [1] | Other revenues: On all other | Foreign currency translation impact | **Balance at end of period** |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 74 |
| (4,647) | 0 | 0 | (54) | 406 | 0 | 0 | 378 | 4,761 |
| (1,581) | 0 | 0 | (65) | 273 | 0 | 0 | 137 | 1,409 |
| (558) | 0 | 0 | 12 | 78 | 0 | 0 | 37 | 553 |
| (190) | 0 | 0 | 0 | (36) | 0 | 0 | 27 | 285 |
| (2,256) | 0 | 0 | (4) | 52 | 0 | 0 | 118 | 1,529 |
| (398) | 0 | 0 | 54 | 100 | 0 | 0 | 63 | 868 |
| 0 | 1,718 | (2,429) | 34 | 575 | 0 | 0 | 376 | 5,572 |
| 0 | 150 | (508) | 6 | 319 | 0 | 0 | 113 | 1,674 |
| 0 | 389 | (297) | 55 | (68) | 0 | 0 | 96 | 1,267 |
| 0 | 391 | (717) | (32) | 218 | 0 | 0 | 75 | 1,232 |
| (1,718) | 0 | (162) | 13 | 376 | 0 | 0 | 310 | 4,563 |
| (6,763) | 1,718 | (2,591) | 47 | 1,457 | 0 | 0 | 1,127 | 15,764 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| (3,234) | 0 | 0 | 0 | 24 | 0 | 500 | 220 | 3,460 |
| (234) | 0 | 0 | 0 | 88 | 0 | 0 | 120 | 1,725 |
| (3,468) | 0 | 0 | 0 | 112 | 0 | 500 | 340 | 5,185 |
| (1,452) | 4,019 | (2,091) | 1 | 10 | 0 | (9) | 636 | 9,467 |
| (998) | 2,651 | (1,627) | 1 | 25 | 0 | (10) | 403 | 6,000 |
| (242) | 811 | (407) | 0 | (14) | 0 | 6 | 108 | 1,537 |
| 0 | 0 | 0 | 0 | (5) | 0 | 0 | 5 | 69 |
| (4,541) | 434 | (1,299) | 157 | (72) | 0 | 0 | 409 | 6,190 |
| (4,314) | 434 | (1,299) | 163 | (17) | 0 | (1) | 368 | 5,588 |
| **(16,224)** | **6,171** | **(5,981)** | **205** | **1,502** | **0** | **491** | **2,534** | **36,752** |
| | | | | | | | | |
| 0 | 45 | (18) | 0 | 10 | 0 | 0 | 4 | 96 |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 |
| (37) | 979 | (2,096) | 204 | 198 | 0 | 0 | 363 | 5,021 |
| 0 | 51 | (415) | (1) | 322 | 0 | 0 | 80 | 1,197 |
| 0 | 4 | (166) | (4) | (227) | 0 | 0 | 46 | 589 |
| 0 | 512 | (767) | 219 | (201) | 0 | 0 | 123 | 1,365 |
| 0 | 311 | (689) | (14) | 317 | 0 | 0 | 86 | 1,415 |
| 0 | 363 | (358) | (1) | (4) | 0 | 0 | 13 | 165 |
| 0 | 5,978 | (3,001) | 147 | (204) | 0 | 0 | 932 | 11,962 |
| 0 | 4,158 | (1,471) | (4) | (289) | 0 | 0 | 635 | 8,250 |
| 0 | 573 | (968) | 152 | 36 | 0 | 0 | 175 | 2,198 |
| (1,099) | 639 | (222) | 16 | 151 | 3 | 317 | 210 | 3,349 |
| (873) | 0 | 0 | 0 | 111 | 0 | (2) | 52 | 708 |
| **(1,136)** | **8,004** | **(5,695)** | **366** | **151** | **3** | **317** | **1,531** | **20,593** |
| **(15,088)** | **(1,833)** | **(286)** | **(161)** | **1,351** | **(3)** | **174** | **1,003** | **16,159** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 9M13 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 0 | 0 | 0 |
| Debt | 5,888 | 1,011 | (1,612) | 4,626 |
| of which corporates | 3,192 | 527 | (511) | 1,461 |
| of which RMBS | 724 | 361 | (578) | 927 |
| of which CMBS | 1,023 | 61 | (120) | 299 |
| of which CDO | 447 | 31 | (340) | 1,916 |
| Equity | 485 | 261 | (195) | 226 |
| Derivatives | 6,650 | 1,147 | (1,679) | 0 |
| of which interest rate products | 1,859 | 164 | (346) | 0 |
| of which equity/index-related products | 1,920 | 191 | (600) | 0 |
| of which credit derivatives | 1,294 | 788 | (542) | 0 |
| Other | 2,486 | 215 | (380) | 2,949 |
| Trading assets | 15,509 | 2,634 | (3,866) | 7,801 |
| Investment securities | 170 | 0 | (240) | 166 |
| Equity | 6,366 | 115 | (38) | 938 |
| Life finance instruments | 1,818 | 0 | 0 | 139 |
| Other investments | 8,184 | 115 | (38) | 1,077 |
| Loans | 6,619 | 166 | (1,573) | 720 |
| of which commercial and industrial loans | 4,778 | 155 | (307) | 709 |
| of which financial institutions | 1,530 | 11 | (4) | 9 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 1 |
| Other assets | 5,164 | 2,868 | (2,294) | 3,859 |
| of which loans held-for-sale | 4,463 | 2,853 | (2,212) | 3,621 |
| **Total assets at fair value** | **35,689** | **5,783** | **(8,011)** | **13,624** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,287 | (1,346) | 61 |
| of which interest rate derivatives | 1,357 | 58 | (135) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (20) | 0 |
| of which equity/index-related derivatives | 1,003 | 308 | (574) | 0 |
| of which credit derivatives | 819 | 854 | (502) | 0 |
| Short-term borrowings | 124 | 40 | (84) | 0 |
| Long-term debt | 10,098 | 2,116 | (1,773) | 0 |
| of which structured notes over two years | 6,189 | 411 | (1,067) | 0 |
| of which non-recourse liabilities | 2,551 | 1,672 | (311) | 0 |
| Other liabilities | 2,848 | 214 | (136) | 73 |
| of which failed sales | 1,160 | 178 | (83) | 44 |
| **Total liabilities at fair value** | **18,451** | **3,657** | **(3,339)** | **134** |
| **Net assets/(liabilities) at fair value** | **17,238** | **2,126** | **(4,672)** | **13,490** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 223 | 0 | 0 | 3 | 0 | 0 | (8) | 218 |
| (5,838) | 0 | 0 | 167 | 98 | 0 | 0 | (66) | 4,274 |
| (2,537) | 0 | 0 | 114 | (94) | 0 | 0 | (18) | 2,134 |
| (989) | 0 | 0 | 8 | 95 | 0 | 0 | (8) | 540 |
| (860) | 0 | 0 | (1) | 29 | 0 | 0 | (5) | 426 |
| (1,319) | 0 | 0 | 34 | 68 | 0 | 0 | (29) | 808 |
| (348) | 0 | 0 | 8 | 46 | 0 | 0 | (5) | 478 |
| 0 | 1,537 | (1,648) | 204 | (261) | 0 | 0 | (77) | 5,873 |
| 0 | 241 | (397) | 9 | 34 | 0 | 0 | (15) | 1,549 |
| 0 | 142 | (383) | 147 | 278 | 0 | 0 | (34) | 1,661 |
| 0 | 605 | (389) | 48 | (417) | 0 | 0 | (11) | 1,376 |
| (2,253) | 0 | (65) | 7 | 25 | 0 | 0 | (50) | 2,934 |
| (8,439) | 1,537 | (1,713) | 386 | (92) | 0 | 0 | (198) | 13,559 |
| (59) | 0 | 0 | 0 | 1 | 0 | 0 | (14) | 24 |
| (1,858) | 0 | 0 | 0 | 3 | 0 | 525 | (57) | 5,994 |
| (269) | 0 | 0 | 0 | (59) | 0 | 0 | (15) | 1,614 |
| (2,127) | 0 | 0 | 0 | (56) | 0 | 525 | (72) | 7,608 |
| (1,383) | 4,951 | (1,831) | 0 | (163) | 0 | 0 | (176) | 7,330 |
| (1,076) | 2,299 | (1,265) | 0 | (187) | 0 | 0 | (98) | 5,008 |
| (119) | 432 | (462) | 0 | (71) | 0 | 0 | (11) | 1,315 |
| 0 | 0 | 0 | 0 | 0 | 0 | (10) | 1 | 35 |
| (3,225) | 872 | (896) | 10 | 188 | 0 | 0 | (118) | 6,428 |
| (3,037) | 872 | (896) | 9 | 231 | 0 | 0 | (112) | 5,792 |
| **(15,233)** | **7,583** | **(4,440)** | **396** | **(119)** | **0** | **515** | **(585)** | **35,202** |
| | | | | | | | | |
| 0 | 52 | 0 | 0 | (16) | 0 | 0 | (3) | 58 |
| (187) | 1,122 | (1,643) | 230 | 388 | 0 | 0 | (68) | 5,200 |
| 0 | 92 | (150) | 10 | (211) | 0 | 0 | (9) | 1,012 |
| 0 | 15 | (631) | (4) | 44 | 0 | 0 | (3) | 1,062 |
| 0 | 459 | (379) | 186 | 553 | 0 | 0 | (41) | 1,515 |
| 0 | 458 | (370) | 46 | (51) | 0 | 0 | (13) | 1,241 |
| 0 | 222 | (137) | 0 | (5) | 0 | 0 | (4) | 156 |
| 0 | 3,613 | (4,352) | 33 | 260 | (1) | (2) | (106) | 9,886 |
| 0 | 2,561 | (1,702) | (2) | (79) | (1) | (2) | (97) | 6,211 |
| 0 | 532 | (2,036) | 20 | 138 | 0 | 0 | 10 | 2,576 |
| (342) | 1 | (78) | (15) | 30 | 26 | 163 | (44) | 2,740 |
| (272) | 0 | 0 | 0 | 39 | 0 | 0 | (6) | 1,060 |
| **(529)** | **5,010** | **(6,210)** | **248** | **657** | **25** | **161** | **(225)** | **18,040** |
| **(14,704)** | **2,573** | **1,770** | **148** | **(776)** | **(25)** | **354** | **(360)** | **17,162** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| | | | 9M14 | | | 9M13 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 1,190 | 171 | **1,361** [1] | (628) | 329 | **(299)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (329) | 76 | **(253)** | (2,262) | 250 | **(2,012)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 9M14 were CHF 4,873 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 9M14 were CHF 6,565 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, alternative investment, emerging markets, securitized products and prime services businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 3Q14 were CHF 2,054 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit business due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 3Q14 were CHF 2,282 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit and securitized products businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever

possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. Significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

## Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price, earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, discount rate and capitalization rate.

## Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralized OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, credit spread, basis spread, mean reversion and gap risk.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability.

Generally, the interrelationship between the volatility and correlation is positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are

valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and funding spread. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

#### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

#### Other investments

##### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published net asset values (NAVs). Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable input may include contingent probability. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

##### Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

#### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread, recovery rate and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, price, volatility, volatility skew, recovery rate, funding spread, mean reversion and contingent probability, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value. An increase in the significant unobservable inputs basis spread and skew would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

**Quantitative disclosures of valuation techniques**

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

**Quantitative information about level 3 assets at fair value**

| end of 3Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| CHF million, except where indicated | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 74 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,761 | | | | | |
| of which corporates | 1,409 | | | | | |
| of which | 100 | Option model | Correlation, in % | (87) | 98 | 12 |
| | | | Buyback probability, in % [2] | 50 | 100 | 57 |
| of which | 243 | Market comparable | Price, in % | 0 | 145 | 79 |
| of which | 1,058 | Discounted cash flow | Credit spread, in bp | 17 | 1,426 | 419 |
| of which RMBS | 553 | Discounted cash flow | Discount rate, in % | 0 | 32 | 11 |
| | | | Prepayment rate, in % | 0 | 35 | 7 |
| | | | Default rate, in % | 0 | 28 | 3 |
| | | | Loss severity, in % | 0 | 100 | 55 |
| of which CMBS | 285 | Discounted cash flow | Capitalization rate, in % | 7 | 12 | 8 |
| | | | Discount rate, in % | 2 | 28 | 10 |
| | | | Prepayment rate, in % | 0 | 33 | 7 |
| | | | Default rate, in % | 0 | 20 | 1 |
| | | | Loss severity, in % | 0 | 50 | 5 |
| of which CDO | 1,529 | | | | | |
| of which | 102 | Vendor price | Price, in % | 12 | 100 | 95 |
| of which | 465 | Discounted cash flow | Discount rate, in % | 1 | 23 | 7 |
| | | | Prepayment rate, in % | 0 | 30 | 12 |
| | | | Default rate, in % | 0 | 8 | 1 |
| | | | Loss severity, in % | 0 | 100 | 30 |
| of which | 845 | Market comparable | Price, in % | 93 | 196 | 185 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 3Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 868 | | | | | |
| of which | 605 | Market comparable | EBITDA multiple | 3 | 12 | 9 |
| | | | Price, in % | 1 | 170 | 66 |
| of which | 27 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,572 | | | | | |
| of which interest rate products | 1,674 | Option model | Correlation, in % | 15 | 100 | 86 |
| | | | Prepayment rate, in % | 4 | 36 | 28 |
| | | | Volatility skew, in % | (9) | 2 | (2) |
| | | | Mean reversion, in % | 5 | 10 | 10 |
| | | | Credit spread, in bp | 95 | 1,035 | 374 |
| of which equity/index-related products | 1,267 | Option model | Correlation, in % | (87) | 98 | 9 |
| | | | Volatility, in % | 0 | 160 | 24 |
| of which credit derivatives | 1,232 | Discounted cash flow | Credit spread, in bp | 0 | 2,553 | 137 |
| | | | Recovery rate, in % | 0 | 75 | 28 |
| | | | Discount rate, in % | 3 | 33 | 18 |
| | | | Default rate, in % | 1 | 24 | 6 |
| | | | Loss severity, in % | 10 | 100 | 62 |
| | | | Correlation, in % | 48 | 97 | 82 |
| | | | Prepayment rate, in % | 0 | 9 | 4 |
| | | | Funding spread, in bp | 51 | 126 | 64 |
| Other | 4,563 | | | | | |
| of which | 3,741 | Market comparable | Price, in % | 0 | 108 | 46 |
| of which | 728 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 15,764 | | | | | |
| Investment securities | 3 | – | – | – | – | – |
| Private equity | 1,309 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 338 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,813 | | | | | |
| of which private | 1,813 | | | | | |
| of which | 339 | Discounted cash flow | Contingent probability, in % | 69 | 69 | 69 |
| of which | 1,030 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Life finance instruments | 1,725 | Discounted cash flow | Market implied life expectancy, in years | 2 | 21 | 8 |
| Other investments | 5,185 | | | | | |
| Loans | 9,467 | | | | | |
| of which commercial and industrial loans | 6,000 | | | | | |
| of which | 5,234 | Discounted cash flow | Credit spread, in bp | 25 | 4,001 | 452 |
| | | | Recovery rate, in % | 0 | 98 | 57 |
| of which | 736 | Market comparable | Price, in % | 0 | 100 | 89 |
| of which financial institutions | 1,537 | Discounted cash flow | Credit spread, in bp | 50 | 813 | 286 |
| Other intangible assets (mortgage servicing rights) | 69 | – | – | – | – | – |
| Other assets | 6,190 | | | | | |
| of which loans held-for-sale | 5,588 | | | | | |
| of which | 1,928 | Vendor price | Price, in % | 0 | 121 | 99 |
| of which | 1,242 | Discounted cash flow | Credit spread, in bp | 75 | 1,302 | 323 |
| | | | Recovery rate, in % | 1 | 26 | 18 |
| of which | 2,040 | Market comparable | Price, in % | 0 | 102 | 70 |
| **Total level 3 assets at fair value** | **36,752** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,345 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,630 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,969 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,084** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

2 Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 3Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 96 | – | – | – | – | – |
| Trading liabilities | 5,021 | | | | | |
| of which interest rate derivatives | 1,197 | Option model | Basis spread, in bp | (14) | 83 | 45 |
| | | | Correlation, in % | 15 | 100 | 86 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 8 | 36 | 28 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| of which foreign exchange derivatives | 589 | Option model | Correlation, in % | (10) | 70 | 51 |
| | | | Prepayment rate, in % | 22 | 36 | 29 |
| of which equity/index-related derivatives | 1,365 | Option model | Correlation, in % | (87) | 98 | 12 |
| | | | Skew, in % | 43 | 153 | 98 |
| | | | Volatility, in % | 1 | 160 | 24 |
| | | | Buyback probability, in % [4] | 50 | 100 | 57 |
| of which credit derivatives | 1,415 | Discounted cash flow | Credit spread, in bp | 0 | 2,553 | 183 |
| | | | Discount rate, in % | 3 | 33 | 18 |
| | | | Default rate, in % | 1 | 24 | 6 |
| | | | Recovery rate, in % | 0 | 91 | 39 |
| | | | Loss severity, in % | 10 | 100 | 63 |
| | | | Correlation, in % | 48 | 98 | 58 |
| | | | Funding spread, in bp | 51 | 82 | 63 |
| | | | Prepayment rate, in % | 0 | 9 | 4 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 11,962 | | | | | |
| of which structured notes over two years | 8,250 | | | | | |
| of which | 6,676 | Option model | Correlation, in % | (87) | 99 | 13 |
| | | | Volatility, in % | 3 | 160 | 27 |
| | | | Buyback probability, in % [4] | 50 | 100 | 57 |
| | | | Gap risk, in % [3] | 0 | 3 | 0 |
| of which | 484 | Discounted cash flow | Credit spread, in bp | 239 | 625 | 409 |
| of which non-recourse liabilities | 2,198 | | | | | |
| of which | 2,063 | Vendor price | Price, in % | 0 | 121 | 99 |
| of which | 32 | Market comparable | Price, in % | 0 | 90 | 2 |
| Other liabilities | 3,349 | | | | | |
| of which failed sales | 708 | | | | | |
| of which | 515 | Market comparable | Price, in % | 0 | 103 | 68 |
| of which | 193 | Discounted cash flow | Credit spread, in bp | 863 | 2,838 | 1,368 |
| | | | Recovery rate, in % | 26 | 26 | 26 |
| **Total level 3 liabilities at fair value** | **20,593** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,861 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,539** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

### Discount rate
The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

### Default rate and loss severity
For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates collateral with a greater risk of default.

### Credit spread and recovery rate
For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

### Correlation
There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

### Prepayment rate
Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

### Volatility and skew
Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

### Market implied life expectancy
Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to ten years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

### Fair value, unfunded commitments and term of redemption conditions

| | | | | 3Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 6 | 110 | 116 | 0 | 1 | 18 | 19 | 0 |
| Equity funds | 28 | 1,837 [1] | 1,865 | 0 | 28 | 3,096 [2] | 3,124 | 0 |
| Equity funds sold short | 0 | (32) | (32) | 0 | 0 | (17) | (17) | 0 |
| Total funds held in trading assets and liabilities | 34 | 1,915 | 1,949 | 0 | 29 | 3,097 | 3,126 | 0 |
| Debt funds | 326 | 136 | 462 | 1 | 320 | 183 | 503 | 6 |
| Equity funds | 0 | 0 | 0 | 0 | 0 | 25 | 25 | 0 |
| Others | 1 | 51 | 52 | 0 | 0 | 153 | 153 | 31 |
| Hedge funds | 327 | 187 [3] | 514 | 1 | 320 | 361 [4] | 681 | 37 |
| Debt funds | 18 | 0 | 18 | 15 | 53 | 0 | 53 | 2 |
| Equity funds | 611 | 0 | 611 | 122 | 2,236 | 0 | 2,236 | 464 |
| Real estate funds | 292 | 0 | 292 | 98 | 350 | 0 | 350 | 110 |
| Others | 388 | 0 | 388 | 128 | 706 | 0 | 706 | 250 |
| Private equities | 1,309 | 0 | 1,309 | 363 | 3,345 | 0 | 3,345 | 826 |
| Equity method investments | 381 | 44 | 425 | 0 | 349 | 0 | 349 | 0 |
| Total funds held in other investments | 2,017 | 231 | 2,248 | 364 | 4,014 | 361 | 4,375 | 863 |
| **Total fair value** | **2,051** [5] | **2,146** [6] | **4,197** | **364** [7] | **4,043** [5] | **3,458** [6] | **7,501** | **863** [7] |

[1] 39% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 31% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 83% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 14% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 641 million and CHF 1,819 million attributable to noncontrolling interests in 3Q14 and 4Q13, respectively.
[6] Includes CHF 133 million and CHF 107 million attributable to noncontrolling interests in 3Q14 and 4Q13, respectively.
[7] Includes CHF 180 million and CHF 405 million attributable to noncontrolling interests in 3Q14 and 4Q13, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a non-recurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

### Nonrecurring fair value changes

| end of | 3Q14 | 4Q13 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.4** | **0.3** |
| of which level 2 | 0.2 | 0.0 |
| of which level 3 | 0.2 | 0.3 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's election of the fair value option for certain of its financial statement captions.

## Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| | | 3Q14 | | | 4Q13 | |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,161 | 3,571 | (2,410) | 956 | 3,262 | (2,306) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 0 | 0 | 0 | 311 | 307 | 4 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 108,076 | 107,781 | 295 | 96,587 | 96,217 | 370 |
| Loans | 21,598 | 21,885 | (287) | 19,457 | 19,653 | (196) |
| Other assets [1] | 24,241 | 30,473 | (6,232) | 20,749 | 25,756 | (5,007) |
| Due to banks and customer deposits | (903) | (874) | (29) | (690) | (680) | (10) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (64,269) | (64,212) | (57) | (76,104) | (76,012) | (92) |
| Short-term borrowings | (7,066) | (7,124) | 58 | (6,053) | (5,896) | (157) |
| Long-term debt | (75,243) | (74,702) | (541) | (63,369) | (62,991) | (378) |
| Other liabilities | (1,392) | (2,815) | 1,423 | (1,780) | (3,285) | 1,505 |

1 Primarily loans held-for-sale.

## Gains and losses on financial instruments

| | 9M14 | 9M13 |
|---|---|---|
| in | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 7 [1] | 7 [1] |
| of which related to credit risk | (2) | (2) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 687 [1] | 884 [1] |
| Other investments | 239 [3] | (11) [2] |
| of which related to credit risk | 3 | 6 |
| Loans | 432 [1] | 917 [1] |
| of which related to credit risk | 28 | (62) |
| Other assets | 1,210 [1] | 1,551 [1] |
| of which related to credit risk | 438 | 336 |
| Due to banks and customer deposits | (51) [2] | (2) [1] |
| of which related to credit risk | (14) | (1) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 128 [2] | (77) [1] |
| Short-term borrowings | (81) [2] | (206) [2] |
| Long-term debt | (267) [1] | (1,351) [1] |
| of which related to credit risk [4] | 256 | (147) |
| Other liabilities | (151) [2] | 172 [3] |
| of which related to credit risk | (147) | 75 |

1 Primarily recognized in net interest income.
2 Primarily recognized in trading revenues.
3 Primarily recognized in other revenues.
4 Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF 131 million and CHF 97 million in 9M14, respectively, and CHF (88) million and CHF (48) million in 9M13, respectively.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **3Q14 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,184 | 0 | 78,639 | 546 | 79,185 |
| Loans | 239,957 | 0 | 243,405 | 2,567 | 245,972 |
| Other financial assets [1] | 164,266 | 79,420 | 83,628 | 1,609 | 164,657 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 389,527 | 217,314 | 172,228 | 0 | 389,542 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 25,636 | 0 | 25,636 | 0 | 25,636 |
| Short-term borrowings | 25,244 | 0 | 25,247 | 0 | 25,247 |
| Long-term debt | 88,433 | 0 | 86,113 | 3,923 | 90,036 |
| Other financial liabilities [2] | 103,282 | 1 | 102,626 | 533 | 103,160 |
| **4Q13 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,435 | 0 | 62,891 | 544 | 63,435 |
| Loans | 223,902 | 0 | 225,641 | 3,940 | 229,581 |
| Other financial assets [1] | 142,656 | 72,134 | 69,310 | 1,568 | 143,012 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 351,476 | 212,418 | 138,980 | 9 | 351,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 66,673 | 0 | 64,043 | 3,774 | 67,817 |
| Other financial liabilities [2] | 96,611 | 1,129 | 94,414 | 1,085 | 96,628 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 28 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 3Q14 | 4Q13 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 143,067 | 142,952 |
| of which encumbered | 90,518 | 92,300 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 3Q14 | 4Q13 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 438,548 | 359,517 |
| of which sold or repledged | 330,591 | 267,896 |

## 29 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 38 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 38 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 1.2 billion.

In 3Q14, the Group recorded net litigation provisions of CHF 390 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Research-related litigation**

This case was brought against Credit Suisse Securities (USA) LLC (CSS LLC) on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. On January 13, 2012, the US District Court for the District of Massachusetts granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. The plaintiffs appealed the summary judgment decision. On May 14, 2014, the circuit court affirmed the grant of summary judgment. The plaintiffs then moved for rehearing and rehearing en banc. Subsequently, the circuit court denied the motion for rehearing and rehearing en banc, and therefore this case is now concluded.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

On August 21, 2014, the Superior Court of New Jersey, Chancery Division, Mercer County, dismissed without prejudice the action brought against CSS LLC and its affiliates by the New Jersey Attorney General (NJAG), on behalf of the State of New Jersey. On September 4, 2014, the NJAG filed an amended complaint against CSS LLC and its affiliates, asserting additional allegations but not expanding the number of claims or RMBS referenced in the original complaint. On September 16, 2014, the Commonwealth of Virginia (Commonwealth), on behalf of the Virginia Retirement System, filed an action against CSS LLC and other financial institutions in Virginia state court relating to an unstated amount of RMBS at issue in connection with losses allegedly incurred by the Virginia Retirement System. On October 16, 2014, the Commonwealth's claims against CSS LLC and other financial institutions based on offerings issued by affiliates of Countrywide Securities Corporation were removed to the US District Court for the Eastern District of Virginia. The Commonwealth's other claims against CSS LLC and other financial institutions remain pending in Virginia state court.

**Individual investor actions**

On July 28, 2014, the Ohio state court presiding in the action brought by the Western & Southern Life Insurance Company and affiliated entities dismissed with prejudice claims pertaining to certain RMBS offerings, reducing the RMBS at issue relating to claims against CSS LLC and its affiliates in that case by approximately USD 5 million, and on August 8, 2014, following a settlement, the Ohio state court dismissed with prejudice all remaining claims against CSS LLC and its affiliates, relating to approximately USD 255 million of RMBS at issue against CSS LLC and its affiliates. On August 25, 2014, following a settlement, the US District Court for the District of New Jersey presiding in the action brought by The Prudential Insurance Company of America and affiliated entities dismissed with prejudice all claims against CSS LLC and its affiliates, relating to approximately USD 461 million of RMBS at issue against CSS LLC and its affiliates. On August 29, 2014, the US District Court for the Southern District of New York (SDNY) presiding in the action brought by the FDIC, as receiver for Colonial Bank, dismissed in its entirety with prejudice all claims against CSS LLC, relating to approximately USD 92 million of RMBS at issue against CSS LLC. On October 2, 2014, following a settlement, the Massachusetts state court presiding in the two actions brought by Cambridge Place Investment Management Inc. dismissed with prejudice all claims against CSS LLC and its affiliates, relating to less than USD 525 million of RMBS at issue against CSS LLC and its affiliates. On October 7, 2014, following a settlement, CSS LLC and its affiliates filed a stipulation of discontinuance with prejudice to discontinue claims against CSS LLC and its affiliates relating to approximately USD 169 million of RMBS at issue brought by The Allstate Insurance Company in the Supreme Court for the State of New York, New York County.

### Class action litigations

CSS LLC and other underwriter defendants have agreed to a settlement of the class action, In re IndyMac Mortgage-Backed Securities Litigation, that is pending in the SDNY and brought on behalf of purchasers of securities in various IndyMac Bancorp RMBS offerings. In an order dated September 30, 2014, the SDNY granted preliminary approval to the settlement and scheduled a final approval hearing for February 3, 2015.

### Bank loan litigation

The Bank and other affiliates continue to be the subject of certain litigation regarding the four real estate developments that are the subject of the lawsuit filed in the US District Court for the District of Idaho and other similar real estate developments. Such litigation includes two cases brought in Texas and New York state courts against Bank affiliates by entities related to Highland Capital Management LP (Highland). The case in the Texas state court is currently scheduled to go to trial in December 2014. Bank affiliates separately sued Highland-managed funds on related trades and received a favorable judgment which has been appealed.

### Caspian Energy Litigation

A lawsuit was brought against CSI in English court by Rosserlane Consultants Limited and Swinbrook Developments Limited. The litigation relates to the forced sale by CSI in 2008 of Caspian Energy Group LP (CEG), the vehicle through which the plaintiffs held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful merger and acquisition processes. The plaintiffs allege that CEG should have been sold for at least USD 700 million. The trial commenced in October 2014.

## 30 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In 4Q13, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and Fed regulation on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

## Condensed consolidating statements of operations

| in 3Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,613 | 2,781 | 4,394 | 74 | 52 | 4,520 |
| Interest expense | (990) | (1,352) | (2,342) | (90) | 56 | (2,376) |
| Net interest income | 623 | 1,429 | 2,052 | (16) | 108 | 2,144 |
| Commissions and fees | 1,024 | 2,180 | 3,204 | 2 | 48 | 3,254 |
| Trading revenues | (234) | 1,057 | 823 | 67 | 14 | 904 |
| Other revenues | 195 | 93 | 288 | 957 [2] | (969) | 276 |
| **Net revenues** | **1,608** | **4,759** | **6,367** | **1,010** | **(799)** | **6,578** |
| **Provision for credit losses** | **0** | **43** | **43** | **0** | **16** | **59** |
| Compensation and benefits | 856 | 1,918 | 2,774 | 12 | (39) | 2,747 |
| General and administrative expenses | 688 | 1,370 | 2,058 | (28) | 11 | 2,041 |
| Commission expenses | 56 | 332 | 388 | 0 | 5 | 393 |
| Total other operating expenses | 744 | 1,702 | 2,446 | (28) | 16 | 2,434 |
| **Total operating expenses** | **1,600** | **3,620** | **5,220** | **(16)** | **(23)** | **5,181** |
| **Income/(loss) from continuing operations before taxes** | **8** | **1,096** | **1,104** | **1,026** | **(792)** | **1,338** |
| Income tax expense/(benefit) | (4) | 336 | 332 | 1 | 33 | 366 |
| **Income/(loss) from continuing operations** | **12** | **760** | **772** | **1,025** | **(825)** | **972** |
| Income from discontinued operations, net of tax | 0 | 106 | 106 | 0 | 0 | 106 |
| **Net income/(loss)** | **12** | **866** | **878** | **1,025** | **(825)** | **1,078** |
| Net income/(loss) attributable to noncontrolling interests | 36 | 124 | 160 | 0 | (107) | 53 |
| **Net income/(loss) attributable to shareholders** | **(24)** | **742** | **718** | **1,025** | **(718)** | **1,025** |
| of which from continuing operations | (24) | 636 | 612 | 1,025 | (718) | 919 |
| of which from discontinued operations | 0 | 106 | 106 | 0 | 0 | 106 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 3Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 12 | 866 | 878 | 1,025 | (825) | 1,078 |
| Gains/(losses) on cash flow hedges | 0 | (14) | (14) | 1 | (2) | (15) |
| Foreign currency translation | 1,593 | 128 | 1,721 | (1) | 6 | 1,726 |
| Unrealized gains/(losses) on securities | 0 | 6 | 6 | 0 | (15) | (9) |
| Actuarial gains/(losses) | 15 | 7 | 22 | 0 | 26 | 48 |
| Net prior service credit/(cost) | 18 | 0 | 18 | 0 | (18) | 0 |
| Other comprehensive income/(loss), net of tax | 1,626 | 127 | 1,753 | 0 | (3) | 1,750 |
| **Comprehensive income/(loss)** | **1,638** | **993** | **2,631** | **1,025** | **(828)** | **2,828** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 129 | 106 | 235 | 0 | (104) | 131 |
| **Comprehensive income/(loss) attributable to shareholders** | **1,509** | **887** | **2,396** | **1,025** | **(724)** | **2,697** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 3Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,578 | 2,729 | 4,307 | 15 | 119 | 4,441 |
| Interest expense | (911) | (1,593) | (2,504) | (14) | (1) | (2,519) |
| Net interest income | 667 | 1,136 | 1,803 | 1 | 118 | 1,922 |
| Commissions and fees | 809 | 2,156 | 2,965 | (1) | 51 | 3,015 |
| Trading revenues | (215) | 499 | 284 | 0 | (12) | 272 |
| Other revenues | 389 | 78 | 467 | 439 [2] | (439) | 467 |
| **Net revenues** | **1,650** | **3,869** | **5,519** | **439** | **(282)** | **5,676** |
| **Provision for credit losses** | **0** | **21** | **21** | **0** | **20** | **41** |
| Compensation and benefits | 752 | 1,806 | 2,558 | 15 | (41) | 2,532 |
| General and administrative expenses | 550 | 1,233 | 1,783 | (30) | 18 | 1,771 |
| Commission expenses | 57 | 362 | 419 | 0 | 3 | 422 |
| Total other operating expenses | 607 | 1,595 | 2,202 | (30) | 21 | 2,193 |
| **Total operating expenses** | **1,359** | **3,401** | **4,760** | **(15)** | **(20)** | **4,725** |
| **Income/(loss) from continuing operations before taxes** | **291** | **447** | **738** | **454** | **(282)** | **910** |
| Income tax expense | 15 | 322 | 337 | 0 | 31 | 368 |
| **Income/(loss) from continuing operations** | **276** | **125** | **401** | **454** | **(313)** | **542** |
| Income from discontinued operations, net of tax | 63 | 87 | 150 | 0 | 0 | 150 |
| **Net income/(loss)** | **339** | **212** | **551** | **454** | **(313)** | **692** |
| Net income/(loss) attributable to noncontrolling interests | 228 | 79 | 307 | 0 | (69) | 238 |
| **Net income/(loss) attributable to shareholders** | **111** | **133** | **244** | **454** | **(244)** | **454** |
| of which from continuing operations | 48 | 46 | 94 | 454 | (244) | 304 |
| of which from discontinued operations | 63 | 87 | 150 | 0 | 0 | 150 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 3Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 339 | 212 | 551 | 454 | (313) | 692 |
| Gains/(losses) on cash flow hedges | 0 | 14 | 14 | 6 | 0 | 20 |
| Foreign currency translation | (1,023) | (181) | (1,204) | 0 | 0 | (1,204) |
| Unrealized gains/(losses) on securities | 1 | (2) | (1) | 0 | 1 | 0 |
| Actuarial gains/(losses) | 4 | 3 | 7 | 0 | 50 | 57 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (22) | (22) |
| Other comprehensive income/(loss), net of tax | (1,018) | (166) | (1,184) | 6 | 29 | (1,149) |
| **Comprehensive income/(loss)** | **(679)** | **46** | **(633)** | **460** | **(284)** | **(457)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 63 | (95) | (32) | 0 | 99 | 67 |
| **Comprehensive income/(loss) attributable to shareholders** | **(742)** | **141** | **(601)** | **460** | **(383)** | **(524)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 9M14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 4,560 | 9,714 | 14,274 | 152 | 229 | 14,655 |
| Interest expense | (2,763) | (4,880) | (7,643) | (199) | 95 | (7,747) |
| Net interest income | 1,797 | 4,834 | 6,631 | (47) | 324 | 6,908 |
| Commissions and fees | 3,139 | 6,588 | 9,727 | 4 | 107 | 9,838 |
| Trading revenues | 495 | 1,079 | 1,574 | 103 | 62 | 1,739 |
| Other revenues | 1,151 | 315 | 1,466 | 1,091 [2] | (1,172) | 1,385 |
| **Net revenues** | **6,582** | **12,816** | **19,398** | **1,151** | **(679)** | **19,870** |
| **Provision for credit losses** | **0** | **66** | **66** | **0** | **45** | **111** |
| Compensation and benefits | 2,705 | 6,066 | 8,771 | 46 | (104) | 8,713 |
| General and administrative expenses | 1,659 | 5,561 | 7,220 | (80) | 32 | 7,172 |
| Commission expenses | 173 | 955 | 1,128 | 0 | 11 | 1,139 |
| Total other operating expenses | 1,832 | 6,516 | 8,348 | (80) | 43 | 8,311 |
| **Total operating expenses** | **4,537** | **12,582** | **17,119** | **(34)** | **(61)** | **17,024** |
| **Income/(loss) from continuing operations before taxes** | **2,045** | **168** | **2,213** | **1,185** | **(663)** | **2,735** |
| Income tax expense | 684 | 450 | 1,134 | 1 | 81 | 1,216 |
| **Income/(loss) from continuing operations** | **1,361** | **(282)** | **1,079** | **1,184** | **(744)** | **1,519** |
| Income from discontinued operations, net of tax | 0 | 112 | 112 | 0 | 0 | 112 |
| **Net income/(loss)** | **1,361** | **(170)** | **1,191** | **1,184** | **(744)** | **1,631** |
| Net income/(loss) attributable to noncontrolling interests | 409 | (65) | 344 | 0 | 103 | 447 |
| **Net income/(loss) attributable to shareholders** | **952** | **(105)** | **847** | **1,184** | **(847)** | **1,184** |
| of which from continuing operations | 952 | (217) | 735 | 1,184 | (847) | 1,072 |
| of which from discontinued operations | 0 | 112 | 112 | 0 | 0 | 112 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 9M14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 1,361 | (170) | 1,191 | 1,184 | (744) | 1,631 |
| Gains/(losses) on cash flow hedges | 0 | 1 | 1 | 14 | (1) | 14 |
| Foreign currency translation | 1,512 | (2) | 1,510 | 0 | 8 | 1,518 |
| Unrealized gains/(losses) on securities | 0 | 21 | 21 | 0 | (10) | 11 |
| Actuarial gains/(losses) | 23 | 18 | 41 | 0 | 84 | 125 |
| Net prior service credit/(cost) | 18 | (1) | 17 | 0 | (59) | (42) |
| Other comprehensive income/(loss), net of tax | 1,553 | 37 | 1,590 | 14 | 22 | 1,626 |
| **Comprehensive income/(loss)** | **2,914** | **(133)** | **2,781** | **1,198** | **(722)** | **3,257** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 481 | (86) | 395 | 0 | 108 | 503 |
| **Comprehensive income/(loss) attributable to shareholders** | **2,433** | **(47)** | **2,386** | **1,198** | **(830)** | **2,754** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 9M13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 5,050 | 10,028 | 15,078 | 42 | 363 | 15,483 |
| Interest expense | (2,972) | (6,027) | (8,999) | (37) | (79) | (9,115) |
| Net interest income | 2,078 | 4,001 | 6,079 | 5 | 284 | 6,368 |
| Commissions and fees | 2,769 | 6,883 | 9,652 | 2 | 147 | 9,801 |
| Trading revenues | (656) | 3,104 | 2,448 | 0 | (4) | 2,444 |
| Other revenues | 897 | 230 | 1,127 | 2,753 [2] | (2,776) | 1,104 |
| **Net revenues** | **5,088** | **14,218** | **19,306** | **2,760** | **(2,349)** | **19,717** |
| **Provision for credit losses** | **2** | **56** | **58** | **0** | **56** | **114** |
| Compensation and benefits | 2,526 | 5,875 | 8,401 | 47 | 1 | 8,449 |
| General and administrative expenses | 1,588 | 3,839 | 5,427 | (104) | 53 | 5,376 |
| Commission expenses | 176 | 1,164 | 1,340 | 0 | 9 | 1,349 |
| Total other operating expenses | 1,764 | 5,003 | 6,767 | (104) | 62 | 6,725 |
| **Total operating expenses** | **4,290** | **10,878** | **15,168** | **(57)** | **63** | **15,174** |
| **Income/(loss) from continuing operations before taxes** | **796** | **3,284** | **4,080** | **2,817** | **(2,468)** | **4,429** |
| Income tax expense | 95 | 1,167 | 1,262 | 15 | 62 | 1,339 |
| **Income/(loss) from continuing operations** | **701** | **2,117** | **2,818** | **2,802** | **(2,530)** | **3,090** |
| Income from discontinued operations, net of tax | 69 | 78 | 147 | 0 | 0 | 147 |
| **Net income/(loss)** | **770** | **2,195** | **2,965** | **2,802** | **(2,530)** | **3,237** |
| Net income/(loss) attributable to noncontrolling interests | 395 | 447 | 842 | 0 | (407) | 435 |
| **Net income/(loss) attributable to shareholders** | **375** | **1,748** | **2,123** | **2,802** | **(2,123)** | **2,802** |
| of which from continuing operations | 306 | 1,670 | 1,976 | 2,802 | (2,123) | 2,655 |
| of which from discontinued operations | 69 | 78 | 147 | 0 | 0 | 147 |

1 Includes eliminations and consolidation adjustments.
2 Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 9M13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 770 | 2,195 | 2,965 | 2,802 | (2,530) | 3,237 |
| Gains/(losses) on cash flow hedges | 0 | (3) | (3) | 10 | 0 | 7 |
| Foreign currency translation | (278) | (158) | (436) | 0 | (7) | (443) |
| Unrealized gains/(losses) on securities | 2 | (13) | (11) | 0 | (10) | (21) |
| Actuarial gains/(losses) | 24 | 11 | 35 | 0 | 173 | 208 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (80) | (80) |
| Other comprehensive income/(loss), net of tax | (252) | (163) | (415) | 10 | 76 | (329) |
| **Comprehensive income/(loss)** | **518** | **2,032** | **2,550** | **2,812** | **(2,454)** | **2,908** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 348 | 385 | 733 | 0 | (351) | 382 |
| **Comprehensive income/(loss) attributable to shareholders** | **170** | **1,647** | **1,817** | **2,812** | **(2,103)** | **2,526** |

1 Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 3Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,835 | 71,945 | 76,780 | 1,076 | 263 | 78,119 |
| Interest-bearing deposits with banks | 7,526 | (3,976) | 3,550 | 0 | (2,339) | 1,211 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 160,469 | 26,789 | 187,258 | 0 | 3 | 187,261 |
| Securities received as collateral | 22,005 | 241 | 22,246 | 0 | 0 | 22,246 |
| Trading assets | 75,758 | 170,264 | 246,022 | 0 | (193) | 245,829 |
| Investment securities | 3 | 2,001 | 2,004 | 3,905 | (3,425) | 2,484 |
| Other investments | 3,284 | 4,843 | 8,127 | 46,134 | (45,986) | 8,275 |
| Net loans | 12,164 | 236,600 | 248,764 | 742 | 15,737 | 265,243 |
| Premises and equipment | 871 | 3,807 | 4,678 | 0 | 197 | 4,875 |
| Goodwill | 707 | 6,849 | 7,556 | 0 | 879 | 8,435 |
| Other intangible assets | 107 | 144 | 251 | 0 | 0 | 251 |
| Brokerage receivables | 36,137 | 25,381 | 61,518 | 0 | 1 | 61,519 |
| Other assets | 22,372 | 44,510 | 66,882 | 350 | 1,382 | 68,614 |
| **Total assets** | **346,238** | **589,398** | **935,636** | **52,207** | **(33,481)** | **954,362** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 112 | 30,876 | 30,988 | 2,882 | (3,322) | 30,548 |
| Customer deposits | 1 | 351,862 | 351,863 | 0 | 11,357 | 363,220 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 118,049 | (28,144) | 89,905 | 0 | 0 | 89,905 |
| Obligation to return securities received as collateral | 22,005 | 241 | 22,246 | 0 | 0 | 22,246 |
| Trading liabilities | 15,188 | 62,851 | 78,039 | 0 | (137) | 77,902 |
| Short-term borrowings | 46,266 | (13,956) | 32,310 | 0 | 0 | 32,310 |
| Long-term debt | 48,034 | 110,161 | 158,195 | 5,235 | 246 | 163,676 |
| Brokerage payables | 61,467 | 15,241 | 76,708 | 0 | 0 | 76,708 |
| Other liabilities | 13,052 | 39,317 | 52,369 | 226 | 301 | 52,896 |
| **Total liabilities** | **324,174** | **568,449** | **892,623** | **8,343** | **8,445** | **909,411** |
| **Total shareholders' equity** | **20,882** | **21,117** | **41,999** | **43,864** | **(41,999)** | **43,864** |
| Noncontrolling interests | 1,182 | (168) | 1,014 | 0 | 73 | 1,087 |
| **Total equity** | **22,064** | **20,949** | **43,013** | **43,864** | **(41,926)** | **44,951** |
| **Total liabilities and equity** | **346,238** | **589,398** | **935,636** | **52,207** | **(33,481)** | **954,362** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| Interest-bearing deposits with banks | 81 | 3,304 | 3,385 | 0 | (1,870) | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,153 | 32,860 | 160,013 | 0 | 9 | 160,022 |
| Securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading assets | 73,580 | 156,156 | 229,736 | 0 | (323) | 229,413 |
| Investment securities | 2 | 1,625 | 1,627 | 1,481 | (121) | 2,987 |
| Other investments | 5,116 | 5,091 | 10,207 | 42,570 | (42,448) | 10,329 |
| Net loans | 19,955 | 211,202 | 231,157 | 3,185 | 12,712 | 247,054 |
| Premises and equipment | 891 | 4,004 | 4,895 | 0 | 196 | 5,091 |
| Goodwill | 658 | 6,463 | 7,121 | 0 | 878 | 7,999 |
| Other intangible assets | 78 | 132 | 210 | 0 | 0 | 210 |
| Brokerage receivables | 25,667 | 26,377 | 52,044 | 0 | 1 | 52,045 |
| Other assets | 18,104 | 43,452 | 61,556 | 243 | 1,266 | 63,065 |
| Assets of discontinued operations held-for-sale | 11 | 1,573 | 1,584 | 0 | 0 | 1,584 |
| **Total assets** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 251 | 22,896 | 23,147 | 3,242 | (3,281) | 23,108 |
| Customer deposits | 1 | 321,850 | 321,851 | 0 | 11,238 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 98,600 | (4,568) | 94,032 | 0 | 0 | 94,032 |
| Obligation to return securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading liabilities | 14,304 | 62,508 | 76,812 | 0 | (177) | 76,635 |
| Short-term borrowings | 42,842 | (22,649) | 20,193 | 0 | 0 | 20,193 |
| Long-term debt | 31,300 | 95,341 | 126,641 | 2,784 | 617 | 130,042 |
| Brokerage payables | 55,749 | 17,405 | 73,154 | 0 | 0 | 73,154 |
| Other liabilities | 11,284 | 39,795 | 51,079 | 84 | 284 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 19 | 1,121 | 1,140 | 0 | 0 | 1,140 |
| **Total liabilities** | **277,829** | **533,020** | **810,849** | **6,110** | **8,681** | **825,640** |
| **Total shareholders' equity** | **18,583** | **21,409** | **39,992** | **42,164** | **(39,992)** | **42,164** |
| Noncontrolling interests | 3,150 | 421 | 3,571 | 0 | 1,431 | 5,002 |
| **Total equity** | **21,733** | **21,830** | **43,563** | **42,164** | **(38,561)** | **47,166** |
| **Total liabilities and equity** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |

[1] Includes eliminations and consolidation adjustments.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AMA | Advanced measurement approach |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |
| **C** | |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFE | Collateralized financing entity |
| CFIG | Customized Fund Investment Group |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSI | Credit Suisse International |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CSSEL | Credit Suisse Securities (Europe) Limited |
| CVA | Credit valuation adjustment |
| **D** | |
| DVA | Debit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| ETF | Exchange-traded funds |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| FDIC | Federal Deposit Insurance Corporation |
| Fed | US Federal Reserve |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FSB | Financial Stability Board |
| **G** | |
| G-7 | Group of seven leading industry nations |
| GSE | Government-sponsored enterprise |
| G-SIB | Global Systemically Important Bank |
| **I** | |
| IPO | Initial public offering |
| IRC | Incremental risk charge |
| ISDA | International Swaps and Derivatives Association |
| ISU | Incentive Share Unit |
| **K** | |
| KPI | Key performance indicator |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MACCS | Mandatory and contingent convertible securities |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NJAG | New Jersey Attorney General |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PAF2 | 2011 Partner Asset Facility |
| PFS | Prime Fund Services |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SDNY | US District Court for the Southern District of New York |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SISU | Scaled Incentive Share Unit |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| | 9M14 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| | | | | in / end of |
| **Share price (common shares, CHF)** | | | | |
| Average | 26.93 | 26.74 | 21.23 | 31.43 |
| Minimum | 24.17 | 22.90 | 16.01 | 19.65 |
| Maximum | 30.08 | 30.29 | 27.20 | 44.99 |
| End of period | 26.47 | 27.27 | 22.26 | 22.07 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 29.93 | 28.85 | 22.70 | 35.36 |
| Minimum | 26.44 | 24.56 | 16.20 | 21.20 |
| Maximum | 33.19 | 33.84 | 29.69 | 47.63 |
| End of period | 27.64 | 30.84 | 24.56 | 23.48 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 42,542 | 43,526 | 29,402 | 27,021 |
| Market capitalization (USD million) | 44,422 | 49,224 | 32,440 | 28,747 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.75 [1, 2] | 0.75 [1, 3] |

[1] Paid out of reserves from capital contributions.
[2] The distribution was payable in cash of CHF 0.10 per share and in the form of new shares with an approximate value of CHF 0.65 per share.
[3] The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.

## Ticker symbols / stock exchange listings

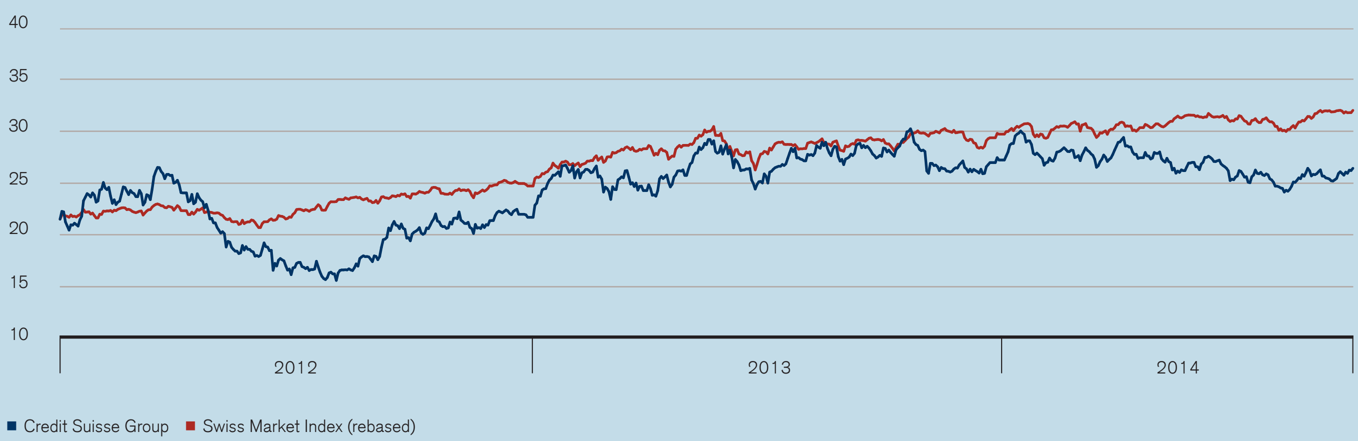
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| Telekurs | CSGN,380 | CS,065 |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of October 30, 2014 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | A2 | A- | A |
| Outlook | Negative | Negative | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A1 | A | A |
| Outlook | Negative | Negative | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Fourth quarter / Full year 2014 results | Thursday, February 12, 2015 |
| First quarter results 2015 | Tuesday, April 21, 2015 |
| Annual General Meeting | Friday, April 24, 2015 |
| **Investor relations** | |
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |
| **Media relations** | |
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |
| **Additional information** | |
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | Dept. HKG 1 |
| | P.O. Box |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 800 937 5449 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |

| Swiss share register and transfer agent | |
|---|---|
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 26 60 |
| E-Mail | robert.rohner@credit-suisse.com |

## Foreign currency translation rates

| | | | | End of | | | Average in | | Average in |
|---|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **9M14** | 9M13 |
| 1 USD / 1 CHF | 0.96 | 0.89 | 0.89 | 0.90 | 0.92 | 0.89 | 0.93 | 0.90 | 0.93 |
| 1 EUR / 1 CHF | 1.21 | 1.21 | 1.23 | 1.22 | 1.21 | 1.22 | 1.23 | 1.22 | 1.23 |
| 1 GBP / 1 CHF | 1.55 | 1.52 | 1.47 | 1.46 | 1.53 | 1.49 | 1.43 | 1.50 | 1.44 |
| 100 JPY / 1 CHF | 0.87 | 0.88 | 0.85 | 0.92 | 0.88 | 0.87 | 0.94 | 0.87 | 0.97 |

**Cautionary statement regarding forward-looking information**

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors“ in I – Information on the company in our Annual Report 2013.


Our 2013 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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5520144 English

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

## Form 6-K

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

October 23, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Introduction

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three and nine months ended September 30, 2014. On October 23, 2014, Credit Suisse Group AG (Group) announced its results for such three and nine month period. A copy of the related Earnings Release is attached as an exhibit to this Form 6-K.

This Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended except, in the case of both (i) and (ii), the information on page 3 of the Earnings Release.

The 3Q14 Credit Suisse Financial Report as of and for the three and nine months ended September 30, 2014 will be published on or about October 31, 2014.

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

References herein to "CHF" are to Swiss francs.

# Key information

# Selected financial data

## Selected operations statement information

| in | 3Q14 | 3Q13 | % change | 9M14 | 9M13 | % change |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **6,367** | **5,519** | 15 | **19,398** | **19,306** | 0 |
| **Provision for credit losses** | **43** | **21** | 105 | **66** | **58** | 14 |
| Compensation and benefits | 2,774 | 2,558 | 8 | 8,771 | 8,401 | 4 |
| General and administrative expenses | 2,058 | 1,783 | 15 | 7,220 | 5,427 | 33 |
| Commission expenses | 388 | 419 | (7) | 1,128 | 1,340 | (16) |
| Total other operating expenses | 2,446 | 2,202 | 11 | 8,348 | 6,767 | 23 |
| **Total operating expenses** | **5,220** | **4,760** | 10 | **17,119** | **15,168** | 13 |
| **Income from continuing operations before taxes** | **1,104** | **738** | 50 | **2,213** | **4,080** | (46) |
| Income tax expense | 332 | 337 | (1) | 1,134 | 1,262 | (10) |
| **Income from continuing operations** | **772** | **401** | 93 | **1,079** | **2,818** | (62) |
| Income from discontinued operations, net of tax | 106 | 150 | (29) | 112 | 147 | (24) |
| **Net income** | **878** | **551** | 59 | **1,191** | **2,965** | (60) |
| Net income attributable to noncontrolling interests | 160 | 307 | (48) | 344 | 842 | (59) |
| **Net income attributable to shareholders** | **718** | **244** | 194 | **847** | **2,123** | (60) |
| of which from continuing operations | 612 | 94 | – | 735 | 1,976 | (63) |
| of which from discontinued operations | 106 | 150 | (29) | 112 | 147 | (24) |

## Selected balance sheet information

| end of | 3Q14 | 4Q13 | % change |
|---|---|---|---|
| **Balance sheet statistics (CHF million)** | | | |
| Total assets | 935,636 | 854,412 | 10 |
| Share capital | 4,400 | 4,400 | 0 |

## BIS statistics (Basel III)

| end of | 3Q14 | 4Q13 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 39,450 | 38,028 | 4 |
| Total tier 1 capital | 45,587 | 41,105 | 11 |
| Total eligible capital | 55,656 | 52,066 | 7 |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.9 | 14.4 | – |
| Tier 1 ratio | 16.0 | 15.6 | – |
| Total capital ratio | 19.6 | 19.7 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **3Q14** | 3Q13 | **3Q14** | 3Q13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 6,367 | 5,519 | 6,578 | 5,676 |
| Total operating expenses | 5,220 | 4,760 | 5,181 | 4,725 |
| Income from continuing operations before taxes | 1,104 | 738 | 1,338 | 910 |
| Income from continuing operations | 772 | 401 | 972 | 542 |
| Net income attributable to shareholders | 718 | 244 | 1,025 | 454 |
| of which from continuing operations | 612 | 94 | 919 | 304 |

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **9M14** | 9M13 | **9M14** | 9M13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 19,398 | 19,306 | 19,870 | 19,717 |
| Total operating expenses | 17,119 | 15,168 | 17,024 | 15,174 |
| Income from continuing operations before taxes | 2,213 | 4,080 | 2,735 | 4,429 |
| Income from continuing operations | 1,079 | 2,818 | 1,519 | 3,090 |
| Net income attributable to shareholders | 847 | 2,123 | 1,184 | 2,802 |
| of which from continuing operations | 735 | 1,976 | 1,072 | 2,655 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **3Q14** | 4Q13 | **3Q14** | 4Q13 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 935,636 | 854,412 | 954,362 | 872,806 |
| Total liabilities | 892,623 | 810,849 | 909,411 | 825,640 |

# Exhibits

**No. Description**

99.1 Credit Suisse Earnings Release 3Q14

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: October 23, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

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# Earnings Release

## Credit Suisse 3Q14 results: Core pre-tax income of CHF 1,622 million for strategic businesses and return on equity of 11%; reported Core pre-tax income of CHF 1,301 million and return on equity of 10%

## Credit Suisse 9M14 results: Core pre-tax income of CHF 5,341 million for strategic businesses and return on equity of 13%; reported Core pre-tax income of CHF 2,331 million and return on equity of 4%

## Look-through CET1 ratio of 9.8% as of the end of 3Q14; on track to exceed 10% by year-end 2014

## 3Q14 Private Banking & Wealth Management results for strategic businesses reflect continued cost discipline and stable revenues; strategic net new assets of CHF 8.8 billion and total net new assets of CHF 7.4 billion

## 3Q14 Investment Banking results reflect stronger profitability and returns, as well as increased client activity; continued progress in winding down non-strategic unit

**Private Banking & Wealth Management strategic businesses with continued progress on costs:**

- Strategic businesses with pre-tax income of CHF 872 million, up 8% compared to 3Q13; return on regulatory capital of 27%
- 3Q14 total reported pre-tax income of CHF 943 million, reflecting solid strategic business performance and a gain recorded in the non-strategic unit on the sale of the domestic private banking business booked in Germany
- Continued cost efficiency gains in strategic businesses with cost/income ratio of 69% for 9M14 and 3Q14
- Wealth Management Clients net margin of 27 basis points for 9M14 and 25 basis points for 3Q14; excluding certain litigation provisions of CHF 41 million, net margin of 27 basis points for 3Q14
- Strong net new assets from strategic businesses of CHF 8.8 billion in 3Q14, with particularly strong growth in Asia Pacific, notwithstanding continued outflows of CHF 0.7 billion from Western European cross-border business due to ongoing regularization of asset base; total net new assets of CHF 7.4 billion, including total Western European cross-border outflows of CHF 1.5 billion
- Sustained growth from ultra-high-net-worth individual lending initiatives with good momentum across both emerging and mature markets; CHF 3.9 billion in net new lending for 9M14 compared to CHF 1.0 billion in 9M13

**Investment Banking 3Q14 strategic results reflect substantially increased profitability, improved returns and robust client activity:**

- Strategic businesses with pre-tax income of CHF 995 million, up 43% against 3Q13, and return on regulatory capital of 17%; driven by higher client activity across many businesses
- Strong fixed income performance, particularly in securitized products and emerging markets
- Stable equities results as robust derivatives revenues were offset by muted trading volumes in cash equities
- Underwriting and advisory results reflect strong origination activity and sustained market shares
- Total reported pre-tax income of CHF 516 million with broad-based increase in client activity across many strategic businesses, partly offset by increased expenses
- 9M14 return on regulatory capital of 19% from strategic businesses and 11% from total reported results
- Continued progress in wind-down of non-strategic unit with risk-weighted assets reduced by USD 2 billion and leverage exposure reduced by USD 11 billion

**Resilient capital base and leverage ratio as of the end of 3Q14; progress toward exceeding 10% Look-through CET1 ratio by year-end:**

- Look-through BIS CET1 ratio of 9.8%; progress in executing capital measures announced after settlement of the US cross-border matter and on track to exceed 10% by year-end, including continued accrual of cash dividend for 2014; Look-through Swiss total capital ratio at 15.8%
- Look-through Swiss leverage ratio of 3.8%, within reach of the 2019 requirement of 4.1%, effective in 2015; targeting approximately 4.5% by end-2015

**On track to reach cost reduction targets:**

- Delivered CHF 3.6 billion of adjusted annualized savings compared to the annualized expense run rate for 6M11; on track towards target of over CHF 4.5 billion by end-2015

For further information on the differences between return on equity and return on regulatory capital, which are primarily due to the treatment of goodwill and capital components ineligible for look-through regulatory capital under Basel III, refer to the Appendix.

October 23, 2014 **Credit Suisse Group reports 3Q14 and 9M14 results**

Brady W. Dougan, Chief Executive Officer, said: "We delivered a good performance, with our strategic businesses generating returns on equity of 11% for the quarter and 13% for the first nine months of this year. During the quarter, our momentum with clients across both divisions remained strong. With a Look-through CET1 ratio of 9.8% at quarter end, we are executing our capital measures and are on track to exceed 10% by the end of the year."

Commenting on Private Banking & Wealth Management, he said: "Our profitability benefitted from ongoing cost discipline, although margins remain subdued and revenues continue to be impacted by the low interest-rate environment. We generated net new assets of CHF 8.8 billion in our strategic businesses, driven by strong growth in emerging markets, particularly in Asia Pacific. This was partly offset by continued outflows from the Western European cross-border business due to the importance that we have placed on the regularization of our asset base. We saw sustained growth in our ultra-high-net-worth individual lending initiative and increased collaboration revenues across both divisions, which we view as a competitive advantage, particularly with this client segment."

Commenting on Investment Banking, he said: "Investment Banking's strategic results reflect substantially increased profitability, improved returns and robust client activity across many of our businesses. Our strong results in fixed income trading, especially in emerging markets and securitized products, and in equity underwriting were driven by significant client transactions. We continued to work towards increasing the capital and cost efficiency of our strategic businesses, reporting a return on regulatory capital of 19% and a cost/income ratio of 69% for the first nine months of this year. We also made further progress in winding down the capital positions in our non-strategic unit."

On the outlook for the fourth quarter, he said: "We have seen a mixed start to October, with recent market volatility benefitting certain businesses across both divisions, while negatively impacting others. We have a strong advisory and underwriting pipeline but the pace of execution in the fourth quarter will depend on market conditions."

## Core Results summary

For additional information on financial information presented in this Earnings Release, including references to return on equity and return on regulatory capital, refer to the tabular disclosures in the Appendix and other explanatory disclosures regarding capital and leverage metrics in the section titled "Important information" on page 19.

### Core Results highlights

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,537** | **6,433** | **5,449** | 2 | 20 | **19,439** | **19,297** | 1 |
| **Provision for credit losses** | **59** | **18** | **41** | 228 | 44 | **111** | **114** | (3) |
| **Total operating expenses** | **5,177** | **6,785** | **4,720** | (24) | 10 | **16,997** | **15,150** | 12 |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | – | 89 | **2,331** | **4,033** | (42) |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | – | 126 | **1,184** | **2,802** | (58) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 12.8 | – | 6.8 | – | – | 7.8 | 13.4 | – |
| Cost/income ratio | 79.2 | 105.5 | 86.6 | – | – | 87.4 | 78.5 | – |
| **Strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,287** | **6,309** | **5,693** | 0 | 10 | **19,126** | **19,451** | (2) |
| **Provision for credit losses** | **53** | **25** | **20** | 112 | 165 | **96** | **59** | 63 |
| **Total operating expenses** | **4,612** | **4,509** | **4,257** | 2 | 8 | **13,689** | **13,680** | 0 |
| **Income from continuing operations before taxes** | **1,622** | **1,775** | **1,416** | (9) | 15 | **5,341** | **5,712** | (6) |
| **Net income attributable to shareholders** | **1,115** | **1,288** | **987** | (13) | 13 | **3,807** | **4,013** | (5) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 17.1 | 19.4 | 15.5 | – | – | 19.4 | 21.0 | – |
| Cost/income ratio | 73.4 | 71.5 | 74.8 | – | – | 71.6 | 70.3 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **250** | **124** | **(244)** | 102 | – | **313** | **(154)** | – |
| **Provision for credit losses** | **6** | **(7)** | **21** | – | (71) | **15** | **55** | (73) |
| **Total operating expenses** | **565** | **2,276** | **463** | (75) | 22 | **3,308** | **1,470** | 125 |
| **Loss from continuing operations before taxes** | **(321)** | **(2,145)** | **(728)** | (85) | (56) | **(3,010)** | **(1,679)** | 79 |
| **Net loss attributable to shareholders** | **(90)** | **(1,988)** | **(533)** | (95) | (83) | **(2,623)** | **(1,211)** | 117 |

Core Results do not include noncontrolling interests without significant economic interests.

**Net income attributable to shareholders** was CHF 1,025 million in 3Q14.

**Income before taxes** of CHF 1,301 million increased 89% compared to 3Q13, reflecting a 20% increase in net revenues, partially offset by a 10% increase in total operating expenses. In strategic businesses, income before taxes of CHF 1,622 million increased 15% compared to 3Q13. In the non-strategic businesses, the loss before taxes was CHF 321 million in 3Q14 compared to a loss before taxes of CHF 728 million in 3Q13.

**Net revenues** of CHF 6,537 million increased 20% compared to 3Q13. In the strategic businesses, net revenues increased 10% to CHF 6,287 million compared to 3Q13, primarily reflecting higher net revenues in Investment Banking and stable net revenues in Private Banking & Wealth Management. In the non-strategic businesses, net revenues were CHF 250 million in 3Q14 compared to negative net revenues of CHF 244 million in 3Q13.

**Provision for credit losses** was CHF 59 million in 3Q14, with net provisions of CHF 36 million in Investment Banking and CHF 25 million in Private Banking & Wealth Management.

**Total operating expenses** of CHF 5,177 million were up 10% compared to 3Q13, primarily reflecting 15% higher general and administrative expenses and 9% higher compensation and benefits. In strategic businesses, total operating expenses of CHF 4,612 million increased 8% compared to 3Q13, mainly reflecting a 12% increase in compensation and benefits and a 8% increase in general and administrative expenses. In non-strategic businesses, total operating expenses of CHF 565 million increased 22% compared to 3Q13, primarily reflecting a 55% increase in general and administrative expenses, partially offset by a 34% decrease in compensation and benefits. Business realignment costs in 3Q14 were CHF 93 million.

**Income tax expense** of CHF 366 million recorded in 3Q14 mainly reflected the impact of the geographical mix of results. Overall, net deferred tax assets increased CHF 258 million to CHF 5,392 million mainly driven by foreign exchange movements as of the end of 3Q14 compared to 2Q14. Deferred tax assets on net operating losses increased CHF 232 million to CHF 990 million during 3Q14. The Core Results effective tax rate was 28.1% in 3Q14, compared to (83.0)% in 2Q14. The 2Q14 effective tax rate reflected that the majority of the litigation settlement charge was non-deductible.

**Range of reasonably possible losses related to certain legal proceedings.** The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for certain proceedings for which the Group believes an estimate is possible was zero to CHF 1.2 billion at the end 3Q14.

**Diluted earnings per share from continuing operations** were CHF 0.55 for 3Q14 compared to CHF 0.17 in 3Q13 and a diluted loss per share of CHF (0.45) in 2Q14.

**Capital and leverage.** As of the end of 3Q14, Credit Suisse reported a BIS Look-through common equity tier 1 (CET1) ratio of 9.8%, compared to 9.5% as of the end of 2Q14. As of the end of 3Q14, the Look-through Swiss total capital ratio was 15.8%, compared to 15.3% as of the end of 2Q14.

The CET1 ratio as of the end of 3Q14 was 14.3%, compared to 13.8% as of the end of 2Q14, reflecting an increase in CET1 capital, partially offset by an increase in Basel III risk-weighted assets for the Group, which increased to CHF 292.9 billion as of the end of 3Q14. The increase in risk-weighted assets reflected a significant increase resulting from the foreign exchange impact. Excluding the foreign exchange impact, credit risk and market risk decreased.

As of the end of 3Q14, Credit Suisse's Swiss leverage exposure amounted to CHF 1,240 billion. The Look-through Swiss leverage ratio was 3.8%.

**Benefits of the integrated bank.** In 3Q14, Credit Suisse generated CHF 1.2 billion of collaboration revenues from the integrated bank. This corresponds to 17.6% of Core net revenues in 3Q14.

## Private Banking & Wealth Management

In 3Q14, Private Banking & Wealth Management reported income before taxes of CHF 943 million and net revenues of CHF 3,125 million. In its **strategic businesses**, Private Banking & Wealth Management reported income before taxes of CHF 872 million and net revenues of CHF 2,939 million. Compared to 3Q13, income before taxes increased 8%, mainly driven by lower operating expenses reflecting continued cost efficiency gains. Net revenues were stable compared to 3Q13 as higher transaction- and performance-based revenues and improved other revenues were offset by lower net interest income. Compared to 2Q14, income before taxes was stable reflecting stable net revenues and stable operating expenses. In its **non-strategic businesses**, Private Banking & Wealth Management reported income before taxes of CHF 71 million which included a CHF 109 million gain on the sale of the domestic private banking business booked in Germany. In 3Q14, assets under management for the division were CHF 1,366.1 billion and the division attracted net new assets of CHF 7.4 billion.

### Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **3,125** | **3,046** | **3,316** | 3 | (6) | **9,411** | **10,013** | (6) |
| **Provision for credit losses** | **25** | **23** | **34** | 9 | (26) | **81** | **108** | (25) |
| Compensation and benefits | 1,194 | 1,235 | 1,285 | (3) | (7) | 3,719 | 4,017 | (7) |
| Total other operating expenses | 963 | 2,537 | 979 | (62) | (2) | 4,405 | 3,072 | 43 |
| **Total operating expenses** | **2,157** | **3,772** | **2,264** | (43) | (5) | **8,124** | **7,089** | 15 |
| **Income/(loss) before taxes** | **943** | **(749)** | **1,018** | – | (7) | **1,206** | **2,816** | (57) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 27.3 | – | 31.8 | – | – | 12.0 | 29.7 | – |
| Cost/income ratio | 69.0 | 123.8 | 68.3 | – | – | 86.3 | 70.8 | – |

## Strategic results

*Private Banking & Wealth Management's strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.*

### Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 968 | 954 | 1,044 | 1 | (7) | 2,885 | 3,117 | (7) |
| Recurring commissions and fees | 1,149 | 1,136 | 1,149 | 1 | 0 | 3,424 | 3,405 | 1 |
| Transaction- and performance-based revenues | 827 | 865 | 774 | (4) | 7 | 2,611 | 2,681 | (3) |
| Other revenues | (5) | (23) | (33) | (78) | (85) | (18) | (29) | (38) |
| **Net revenues** | **2,939** | **2,932** | **2,934** | 0 | 0 | **8,902** | **9,174** | (3) |
| **Provision for credit losses** | **26** | **30** | **13** | (13) | 100 | **73** | **55** | 33 |
| **Total operating expenses** | **2,041** | **2,020** | **2,113** | 1 | (3) | **6,110** | **6,540** | (7) |
| **Income before taxes** | **872** | **882** | **808** | (1) | 8 | **2,719** | **2,579** | 5 |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 26.7 | 28.0 | 27.2 | – | – | 28.7 | 29.3 | – |
| Cost/income ratio | 69.4 | 68.9 | 72.0 | – | – | 68.6 | 71.3 | – |

In 3Q14, the strategic businesses for Private Banking & Wealth Management reported income before taxes of CHF 872 million and net revenues of CHF 2,939 million.

Compared to 3Q13, net revenues were stable with higher transaction- and performance-based revenues and improved other revenues offset by lower net interest income. Transaction- and performance-based revenues were higher reflecting higher brokerage and product issuing fees, significantly higher corporate advisory fees and a gain related to a more capital-efficient positioning of the liquidity portfolio, partially offset by lower foreign exchange client business and significantly lower performance fees and carried interest. Other revenues improved due to an equity participations impairment in 3Q13 and higher investment-related gains in 3Q14. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins on slightly higher average deposit volumes partially offset by stable loan margins on higher average loan volumes. Recurring commissions and fees were stable with higher discretionary mandate management fees, slightly higher investment account and services fees and slightly higher asset management fees offset by lower banking services fees and lower investment product management fees.

Net revenues, mainly in Wealth Management Clients, benefitted from the appreciation of the US dollar and were stable compared to 2Q14 with improved other revenues offset by lower transaction- and performance-based revenues. Improved other revenues mainly reflected a higher fair value loss on the Clock Finance transaction in 2Q14. The decrease in transaction- and performance-based revenues reflected significantly lower performance fees and carried interest, seasonally lower brokerage and product issuing fees and lower sales and trading income, partially offset by higher corporate advisory fees. Recurring commissions and fees were stable with higher investment product management fees offset by slightly lower asset management and banking services fees. Net interest income was stable with slightly higher loan margins on slightly higher average loan volumes offset by lower deposit margins on stable average deposit volumes.

Provision for credit losses was CHF 26 million, compared to CHF 13 million in 3Q13 and CHF 30 million in 2Q14.

Total operating expenses were 3% lower compared to 3Q13 and stable compared to 2Q14. Compared to 3Q13, compensation and benefits decreased 5%, mainly reflecting lower salary expenses, driven by lower headcount, and general and administrative expenses were stable with higher litigation provisions offset by lower infrastructure and occupancy expenses. Compared to 2Q14, compensation and benefits decreased 3% reflecting lower social security costs and lower discretionary compensation expenses. General and administrative expenses increased 9%, primarily reflecting higher litigation provisions, partially offset by lower professional services fees and lower travel and entertainment expenses.

The cost/income ratio for strategic results was 69% in 3Q14, down three percentage points compared to 3Q13 and up one percentage point compared to 2Q14.

### Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 695 | 688 | 766 | 1 | (9) | 2,089 | 2,290 | (9) |
| Recurring commissions and fees | 744 | 728 | 747 | 2 | 0 | 2,202 | 2,214 | (1) |
| Transaction- and performance-based revenues | 603 | 601 | 549 | 0 | 10 | 1,842 | 1,884 | (2) |
| **Net revenues** | **2,042** | **2,017** | **2,062** | 1 | (1) | **6,133** | **6,388** | (4) |
| **Provision for credit losses** | **17** | **17** | **21** | 0 | (19) | **50** | **60** | (17) |
| **Total operating expenses** | **1,489** | **1,431** | **1,532** | 4 | (3) | **4,400** | **4,744** | (7) |
| **Income before taxes** | **536** | **569** | **509** | (6) | 5 | **1,683** | **1,584** | 6 |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.9 | 70.9 | 74.3 | – | – | 71.7 | 74.3 | – |

The *Wealth Management Clients* business in 3Q14 reported income before taxes of CHF 536 million and net revenues of CHF 2,042 million. Net revenues were stable compared to 3Q13, with lower net interest income offset by higher transaction- and performance-based revenues. Lower net interest income reflected the low interest rate environment, significantly lower deposit margins on stable average deposit volumes, slightly lower loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding. Higher transaction- and performance-based revenues reflected higher brokerage and product issuing fees, significantly higher corporate advisory fees arising from integrated solutions revenues and a gain related to a more capital-efficient positioning of the liquidity portfolio, partially offset by lower foreign exchange client business. Recurring commissions and fees were stable with higher discretionary mandate management fees and slightly higher investment account and services fees offset by lower banking services fees and lower investment product management fees.

Compared to 2Q14, net revenues were stable, driven by slightly higher recurring commissions and fees. Recurring commissions and fees were slightly higher with higher investment product management fees, higher discretionary mandate management fees and slightly higher investment account and services fees partially offset by slightly lower banking services fees. Stable net interest income reflected slightly higher loan margins on slightly higher average loan volumes, offset by lower deposit margins on stable average deposit volumes. Transaction- and performance-based revenues were stable reflecting significantly higher corporate advisory fees and the gain related to a more capital-efficient positioning of the liquidity portfolio offset by seasonally lower brokerage and product issuing fees and lower sales and trading income.

In 3Q14, the gross margin was 97 basis points, eight basis points lower compared to 3Q13, mainly reflecting the continued adverse interest rate environment and an 8.1% increase in average assets under management. Compared to 2Q14, the gross margin was down two basis points due to a 3.3% increase in average assets under management driven by the appreciation of the US dollar.

Wealth Management Clients net margin was 25 basis points in 3Q14, one basis point lower compared to 3Q13, with lower net interest income partially offset by higher transaction- and performance-based revenues and slightly lower operating expenses. Compared to 2Q14, the net margin was three basis points lower, driven by higher litigation provisions.

### Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 273 | 266 | 278 | 3 | (2) | 796 | 827 | (4) |
| Recurring commissions and fees | 113 | 113 | 117 | 0 | (3) | 348 | 343 | 1 |
| Transaction- and performance-based revenues | 107 | 118 | 105 | (9) | 2 | 342 | 353 | (3) |
| Other revenues | (5) | (22) | (1) | (77) | 400 | (31) | (12) | 158 |
| **Net revenues** | **488** | **475** | **499** | 3 | (2) | **1,455** | **1,511** | (4) |
| **Provision for credit losses** | **9** | **13** | **(8)** | (31) | – | **23** | **(5)** | – |
| **Total operating expenses** | **239** | **251** | **256** | (5) | (7) | **735** | **764** | (4) |
| **Income before taxes** | **240** | **211** | **251** | 14 | (4) | **697** | **752** | (7) |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 49.0 | 52.8 | 51.3 | – | – | 50.5 | 50.6 | – |

The *Corporate & Institutional Clients* business reported income before taxes of CHF 240 million in 3Q14 and net revenues of CHF 488 million. Net revenues decreased 2% compared to 3Q13, mainly driven by slightly lower net interest income, slightly lower recurring commissions and fees and decreased other revenues. The slight decrease in net interest income reflected the low interest rate environment, lower levels of deposits eligible as stable funding and significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes. Recurring commissions and fees decreased slightly with no significant movements across major categories. Lower other revenues reflected a higher fair value loss on the Clock Finance transaction. Slightly higher transaction- and performance-based revenues reflected significantly higher corporate advisory fees.

Compared to 2Q14, net revenues increased 3%, with improved other revenues and slightly higher net interest income partially offset by lower transaction- and performance-based revenues. Improved other revenues reflected a higher fair value loss on the Clock Finance transaction in 2Q14. Slightly higher net interest income reflected higher loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on stable average deposit volumes. Lower transaction- and performance-based revenues mainly reflected lower sales and trading income. Stable recurring commissions and fees reflected higher investment product management fees and higher banking services fees, offset by lower discretionary mandate management fees.

### Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 292 | 295 | 285 | (1) | 2 | 874 | 848 | 3 |
| Transaction- and performance-based revenues | 117 | 146 | 120 | (20) | (3) | 427 | 444 | (4) |
| Other revenues | 0 | (1) | (32) | 100 | 100 | 13 | (17) | – |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| of which fee-based revenues | 398 | 428 | 394 | (7) | 1 | 1,264 | 1,248 | 1 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **313** | **338** | **325** | (7) | (4) | **975** | **1,032** | (6) |
| **Income before taxes** | **96** | **102** | **48** | (6) | 100 | **339** | **243** | 40 |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.5 | 76.8 | 87.1 | – | – | 74.2 | 80.9 | – |

The *Asset Management* business income before taxes of CHF 96 million in 3Q14, with net revenues of CHF 409 million. Net revenues increased 10% compared to 3Q13, with improved equity participations and other gains, reflecting an impairment of CHF 18 million related to Asset Management Finance LLC recognized in 3Q13, and higher investment-related gains, reflecting gains in hedge fund investments in 3Q14. Fee-based revenues were stable with higher equity participations income and slightly higher asset management fees due to higher average assets under management offset by lower performance fees, in particular from credit products. Net revenues declined 7% compared to 2Q14, primarily due to lower fee-based revenues mainly driven by significantly lower performance fees and significantly lower carried interest on realized private equity gains, partially offset by higher equity participations income and higher transaction fees. Lower performance fees mainly reflected lower fees from credit products and lower fees from single manager hedge funds.

The fee-based margin was 42 basis points in 3Q14, compared to 45 basis points in 3Q13 and 46 basis points in 2Q14. The movements reflected both the lower fee-based revenues and the higher average assets under management, which increased 10.4% and 3.6% compared to 3Q13 and 2Q14, respectively.

## Non-strategic results

*The non-strategic results for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to the small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to US cross-border matters, the impact of restructuring of the German onshore operations, other smaller non-strategic positions formerly in the Corporate & Institutional Clients business and the run-off and active reduction of selected products.*

### Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **186** | **114** | **382** | 63 | (51) | **509** | **839** | (39) |
| **Provision for credit losses** | **(1)** | **(7)** | **21** | (86) | – | **8** | **53** | (85) |
| **Total operating expenses** | **116** | **1,752** | **151** | (93) | (23) | **2,014** | **549** | 267 |
| **Income/(loss) before taxes** | **71** | **(1,631)** | **210** | – | (66) | **(1,513)** | **237** | – |

In 3Q14, the non-strategic businesses reported income before taxes of CHF 71 million including the CHF 109 million gain on the sale of the domestic private banking business booked in Germany. In 2Q14, Private Banking & Wealth Management's non-strategic businesses reported a loss before taxes of CHF 1,631 million, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters.

## Assets under management – Private Banking & Wealth Management

**Assets under management** of CHF 1,366.1 billion increased CHF 36.4 billion compared to the end of 2Q14, driven mainly by favorable foreign exchange-related movements resulting from the appreciation of the US dollar, positive market movements and net new assets.

**Net new assets:** Private Banking & Wealth Management recorded net new assets of CHF 7.4 billion in 3Q14. In the strategic portfolio, Wealth Management Clients contributed net new assets of CHF 5.1 billion in 3Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.9 billion in 3Q14. Asset Management reported net new assets of CHF 3.3 billion in 3Q14, driven mainly by inflows in traditional products, including inflows from a joint venture in emerging markets, credit products and private equity investments. In the non-strategic portfolio, net asset outflows of CHF 1.4 billion reflected the exit of certain businesses.

### Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 864.3 | 829.7 | 782.9 | 4.2 | 10.4 | 864.3 | 782.9 | 10.4 |
| Corporate & Institutional Clients | 266.6 | 261.4 | 241.1 | 2.0 | 10.6 | 266.6 | 241.1 | 10.6 |
| Asset Management | 391.1 | 377.1 | 349.0 | 3.7 | 12.1 | 391.1 | 349.0 | 12.1 |
| Non-strategic | 13.4 | 25.9 | 48.7 | (48.3) | (72.5) | 13.4 | 48.7 | (72.5) |
| Assets managed across businesses | (169.3) | (164.4) | (153.5) | 3.0 | 10.3 | (169.3) | (153.5) | 10.3 |
| **Assets under management** | **1,366.1** | **1,329.7** | **1,268.2** | 2.7 | 7.7 | **1,366.1** | **1,268.2** | 7.7 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,346.7 | 1,311.6 | 1,275.8 | 2.7 | 5.6 | 1,313.4 | 1,293.4 | 1.5 |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 5.1 | 7.4 | 3.8 | (31.1) | 34.2 | 23.1 | 17.2 | 34.3 |
| Corporate & Institutional Clients | 0.9 | 0.6 | 0.5 | 50.0 | 80.0 | 1.9 | 4.8 | (60.4) |
| Asset Management | 3.3 | 4.1 | 4.4 | (19.5) | (25.0) | 14.3 | 15.5 | (7.7) |
| Non-strategic | (1.4) | (1.7) | (1.2) | (17.6) | 16.7 | (5.4) | (4.9) | 10.2 |
| Assets managed across businesses | (0.5) | (0.3) | 0.6 | 66.7 | – | (2.7) | (4.9) | (44.9) |
| **Net new assets** | **7.4** | **10.1** | **8.1** | (26.7) | (8.6) | **31.2** | **27.7** | 12.6 |
| **Net new asset growth rate (annualized) (%)** | | | | | | | | |
| Net new asset growth rate – Wealth Management Clients | 2.5 | 3.7 | 1.9 | – | – | 3.9 | 3.0 | – |
| Net new asset growth rate – Asset Management | 3.5 | 4.5 | 5.1 | – | – | 5.4 | 6.4 | – |

## Investment Banking

In 3Q14, Investment Banking reported income before taxes of CHF 516 million and net revenues of CHF 3,303 million. Investment Banking delivered solid results and profitability reflecting strong client activity and sustained market shares across most businesses. Net revenues in the **strategic businesses** increased 24% compared to subdued 3Q13 levels, driven by significant client deals across products and regions, particularly in the fixed income business. Compared to 2Q14, net revenues were stable, reflecting resilient operating conditions across many of the businesses. In 3Q14, Investment Banking made continued progress in winding down the **non-strategic unit**, reducing Swiss leverage exposure by USD 11 billion to USD 66 billion and Basel III risk-weighted assets by USD 2 billion to USD 12 billion, each compared to 2Q14.

### Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **3,303** | **3,342** | **2,552** | (1) | 29 | **10,061** | **9,897** | 2 |
| **Provision for credit losses** | **36** | **(5)** | **7** | – | 414 | **31** | **5** | – |
| Compensation and benefits | 1,450 | 1,499 | 1,129 | (3) | 28 | 4,470 | 4,080 | 10 |
| Total other operating expenses | 1,301 | 1,096 | 1,187 | 19 | 10 | 3,465 | 3,529 | (2) |
| **Total operating expenses** | **2,751** | **2,595** | **2,316** | 6 | 19 | **7,935** | **7,609** | 4 |
| **Income before taxes** | **516** | **752** | **229** | (31) | 125 | **2,095** | **2,283** | (8) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 8.3 | 12.3 | 3.6 | – | – | 11.4 | 11.8 | – |
| Cost/income ratio | 83.3 | 77.6 | 90.8 | – | – | 78.9 | 76.9 | – |

## Strategic results

In 3Q14, the strategic businesses reported income before taxes of CHF 995 million and net revenues of CHF 3,419 million. Fixed income sales and trading revenues were substantially higher compared to 3Q13, driven by higher client activity resulting in significant gains across most products. Revenues were also higher compared to 2Q14, reflecting continued favorable operating conditions across many of the businesses. Equities sales and trading results were slightly lower compared to both 3Q13 and 2Q14, as weaker performance in systematic market making and cash equities offset strength in derivatives and prime services. Underwriting and advisory results were strong compared to 3Q13, driven by robust debt and equity underwriting performance and higher advisory revenues. Revenues were flat compared to 2Q14, consistent with a slowdown in industry-wide activity. Total operating expenses increased 17% compared to 3Q13, primarily driven by higher discretionary compensation expenses. Compared to 2Q14, total operating expenses increased slightly. During the quarter, the strategic businesses reported Basel III risk-weighted assets of USD 159 billion, a reduction of USD 7 billion compared to 2Q14. This decrease was primarily driven by reductions in the prime services and global macro products franchises. At the end of 3Q14, Swiss leverage exposure was USD 791 billion, an increase of USD 14 billion from 2Q14.

**Fixed income sales and trading** Fixed income revenues improved substantially from subdued 3Q13 levels, driven by increased client activity across many products. 3Q13 performance was adversely impacted by a significant decline in client trading activity due to rising rates and widening credit spreads as a result of the US Federal Reserve's announcement to reduce its bond buying program. Revenues in the diversified securitized products franchise were robust, reflecting higher results in non-agency and agency securities and continued momentum in asset finance. A significant improvement in emerging markets results was driven by higher trading revenues across local markets and solid client financing activity. Revenues in global macro products improved, reflecting higher market volatility and increased client activity, particularly in the foreign exchange business. Global credit products revenues were solid, albeit lower, reflecting weaker leverage finance trading performance, as increased market volatility had an adverse impact on revenues. Compared to 2Q14, revenues were higher, driven by continued favorable operating conditions across many of the businesses. Emerging markets revenues were significantly higher, driven by robust origination and trading activity. Higher global macro products revenues were driven by improved foreign exchange results. Securitized products revenues were robust, primarily driven by strong asset finance results and higher agency revenues. Global credit products revenues declined, primarily driven by lower leveraged finance results, reflecting less favorable trading conditions.

**Equity sales and trading** Stable results in equity sales and trading reflected muted trading activity. Systematic market making results were substantially lower compared to a strong 3Q13 performance, which included the positive impact of quantitative easing in Japan. Cash equities revenues also declined due to reduced commission revenues as a result of lower US market volumes and subdued activity in Brazil. Derivatives revenues increased significantly, driven by strong growth in fee-based products, distributed by Private Banking and Wealth Management, particularly in Asia Pacific. Revenues in prime services were higher, reflecting growth in client balances and portfolio optimization initiatives. Compared to 2Q14, revenues declined, primarily driven by lower revenues in systematic market making and cash equities due to less favorable trading conditions. These declines were partially offset by strong derivatives revenues. Prime services revenues also increased following a strong 2Q14 performance, which included the positive impact of the seasonally strong dividend season.

**Underwriting and advisory** Debt underwriting had significantly higher revenues, reflecting strong leveraged finance performance. The increase was partially offset by lower investment grade revenues, as a decline in the overall investment grade fee pool offset an increase in share of wallet, which refers to Credit Suisse's share of the overall fee pool for the respective products. Compared to 3Q13, equity underwriting results reflected significantly higher revenues from IPOs, including the landmark Alibaba transaction. Convertibles results were also significantly higher, reflecting an increase in both share of wallet and the overall convertibles fee pool. Results also reflected higher revenues from follow-on offerings. Compared to 3Q13 advisory revenues were higher, driven by an increase in the overall M&A fee pool and strong corporate activity. Compared to 2Q14, debt underwriting results reflected higher revenues from structured lending in emerging markets. The increase was partially offset by lower leveraged finance revenues as a decline in the overall leveraged finance fee pool more than offset an increase in share of wallet. Investment grade revenues were also lower reflecting a decline in industry activity. Equity underwriting had lower revenues in IPOs and follow-on offerings, consistent with a decline in overall industry volumes following strong 2Q14 activity. The increase in advisory revenues compared to 2Q14 reflected an increase in share of wallet.

### Investment Banking – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Debt underwriting | 519 | 483 | 424 | 7 | 22 | 1,470 | 1,419 | 4 |
| Equity underwriting | 214 | 268 | 129 | (20) | 66 | 665 | 492 | 35 |
| Total underwriting | 733 | 751 | 553 | (2) | 33 | 2,135 | 1,911 | 12 |
| Advisory and other fees | 170 | 161 | 152 | 6 | 12 | 511 | 464 | 10 |
| **Total underwriting and advisory** | **903** | **912** | **705** | (1) | 28 | **2,646** | **2,375** | 11 |
| Fixed income sales and trading | 1,551 | 1,470 | 1,031 | 6 | 50 | 4,607 | 4,438 | 4 |
| Equity sales and trading | 1,069 | 1,119 | 1,095 | (4) | (2) | 3,394 | 3,779 | (10) |
| **Total sales and trading** | **2,620** | **2,589** | **2,126** | 1 | 23 | **8,001** | **8,217** | (3) |
| Other | (104) | (121) | (82) | (14) | 27 | (308) | (277) | 11 |
| **Net revenues** | **3,419** | **3,380** | **2,749** | 1 | 24 | **10,339** | **10,315** | 0 |
| **Provision for credit losses** | **29** | **(5)** | **7** | – | 314 | **24** | **3** | – |
| **Total operating expenses** | **2,395** | **2,343** | **2,045** | 2 | 17 | **7,150** | **6,899** | 4 |
| **Income before taxes** | **995** | **1,042** | **697** | (5) | 43 | **3,165** | **3,413** | (7) |
| **Metrics (%)** | | | | | | | | |
| Return on regulatory capital | 17.1 | 18.7 | 12.4 | – | – | 18.9 | 19.9 | – |
| Cost/income ratio | 70.0 | 69.3 | 74.4 | – | – | 69.2 | 66.9 | – |

**Total operating expenses** Total operating expenses increased 17% compared to 3Q13, primarily driven by higher discretionary compensation expenses reflecting the higher results. The deferred compensation expenses from prior-year awards and salaries expenses also increased. The increase in general and administrative expenses was driven by higher litigation expenses, which offset cost reductions in infrastructure initiatives. Compared to 2Q14, total operating expenses increased 2%, primarily driven by higher litigation expenses and higher UK bank levy expenses, partially offset by lower discretionary compensation expenses.

**Capital metrics** Investment Banking strategic businesses reported Basel III risk-weighted assets of USD 159 billion, a reduction of USD 7 billion compared to 2Q14. This decrease was primarily driven by reductions in the prime services and global macro products franchises. At the end of 3Q14, Swiss leverage exposure was USD 791 billion, an increase of USD 14 billion compared to 2Q14.

## Non-strategic results

*Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, commodities trading business, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.*

### Investment Banking – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **(116)** | **(38)** | **(197)** | 205 | (41) | **(278)** | **(418)** | (33) |
| **Provision for credit losses** | **7** | **0** | **0** | – | – | **7** | **2** | 250 |
| **Total operating expenses** | **356** | **252** | **271** | 41 | 31 | **785** | **710** | 11 |
| **Loss before taxes** | **(479)** | **(290)** | **(468)** | 65 | 2 | **(1,070)** | **(1,130)** | (5) |

In 3Q14, Investment Banking made continued progress in winding down the non-strategic unit, including the reduction of Basel III risk-weighted assets and Swiss leverage exposure, and completed the transfer of the commodities trading business into the non-strategic unit. Non-strategic businesses reported a loss before taxes of CHF 479 million and negative net revenues of CHF 116 million in 3Q14. Compared to 3Q13, negative net revenues were smaller, reflecting portfolio net valuation gains and improved funding costs from proactive management of both the legacy debt instruments and trading assets. Negative net revenues were higher compared to 2Q14, which included positive net valuation gains in the portfolio. 3Q14 results also reflected higher costs to exit positions in the legacy rates portfolio. Total operating expenses increased compared to both 3Q13 and 2Q14, driven by higher litigation provisions. As of the end of 3Q14, Investment Banking non-strategic businesses reported Basel III risk-weighted assets of USD 12 billion, down USD 9 billion from 3Q13 and down USD 2 billion from 2Q14. This compares to a risk-weighted assets target of USD 6 billion by year-end 2015. Swiss leverage exposure in non-strategic businesses of USD 66 billion reflected a reduction of USD 28 billion from 3Q13 and a reduction of USD 11 billion from 2Q14. This compares to a target of USD 24 billion in Swiss leverage exposure by year-end 2015.

## Corporate Center

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

### Corporate Center

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **109** | **45** | **(419)** | 142 | – | **(33)** | **(613)** | (95) |
| **Provision for credit losses** | **(2)** | **0** | **0** | – | – | **(1)** | **1** | – |
| Compensation and benefits | 102 | 235 | 115 | (57) | (11) | 503 | 336 | 50 |
| Total other operating expenses | 167 | 183 | 25 | (9) | – | 435 | 116 | 275 |
| **Total operating expenses** | **269** | **418** | **140** | (36) | 92 | **938** | **452** | 108 |
| **Loss before taxes** | **(158)** | **(373)** | **(559)** | (58) | (72) | **(970)** | **(1,066)** | (9) |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **180** | **48** | **(429)** | 275 | – | **82** | **(575)** | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **93** | **272** | **41** | (66) | 127 | **509** | **211** | 141 |
| **Income/(loss) before taxes** | **87** | **(224)** | **(470)** | – | – | **(427)** | **(786)** | (46) |

The Corporate Center recorded a loss before taxes of CHF 158 million in 3Q14 compared to a loss before taxes of CHF 559 million in 3Q13 and a loss before taxes of CHF 373 million in 2Q14. The Corporate Center recorded a loss before taxes of CHF 245 million in its strategic results. Non-strategic results reported income before taxes of CHF 87 million, primarily including fair value gains on own credit spreads of CHF 351 million, partially offset by reclassifications to discontinued operations of CHF 106 million related to the sale of the domestic private banking business booked in Germany, IT architecture simplification expenses of CHF 69 million and business realignment costs of CHF 69 million, primarily consisting of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives.

## Balance sheet, shareholders' equity and regulatory capital

### Balance sheet

As of the end of 3Q14, total assets of CHF 954.4 billion increased 7% compared to 2Q14, reflecting the foreign exchange translation impact and an increase from operating activities. Excluding the foreign exchange translation impact, total assets increased CHF 18.1 billion.

### Total shareholders' equity

Credit Suisse's total shareholders' equity increased to CHF 43.9 billion as of the end of 3Q14 compared to CHF 40.9 billion as of the end of 2Q14. Total shareholders' equity was positively impacted by foreign exchange-related movements on cumulative translation adjustments, net income and an increase in the share-based compensation obligation. These movements were partially offset by transactions relating to the hedging of future share-based compensation awards. As of the end of 3Q14, Credit Suisse had 1,607.2 million shares issued.

### BIS regulatory capital and ratios – Basel III

The CET1 ratio was 14.3% as of the end of 3Q14, compared to 13.8% as of the end of 2Q14, reflecting an increase in CET1 capital, partially offset by an increase in risk-weighted assets. Credit Suisse's tier 1 ratio was 16.4% as of the end of 3Q14, compared to 16.0% as of the end of 2Q14. The total capital ratio increased to 20.1% as of the end of 3Q14 compared to 19.5% as of the end of 2Q14.

CET1 capital was CHF 41.8 billion as of the end of 3Q14 compared to CHF 39.5 billion as of the end of 2Q14, mainly reflecting a positive foreign exchange impact, net income and the net effect of share-based compensation. CET1 capital was also impacted by a quarterly dividend accrual.

Additional tier 1 capital increased to CHF 6.3 billion and tier 2 capital increased to CHF 10.6 billion as of the end of 3Q14, mainly due to the positive foreign exchange impact.

Total eligible capital was CHF 58.8 billion as of the end of 3Q14 compared to CHF 55.6 billion as of the end of 2Q14, reflecting the increases in CET1 capital, additional tier 1 capital and tier 2 capital.

As of the end of 3Q14, the Look-through CET1 ratio was 9.8% compared to a year-end target of over 10.0% and a long-term target of 11.0%.

### Capital ratios – Basel III

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | **3Q14** | 2Q14 | 4Q13 |
| **BIS capital ratios (%)** | | | | | | |
| CET1 ratio | 14.3 | 13.8 | 15.7 | 9.8 | 9.5 | 10.0 |
| Tier 1 ratio | 16.4 | 16.0 | 16.8 | 13.6 | 13.1 | 12.8 |
| Total capital ratio | 20.1 | 19.5 | 20.6 | 15.9 | 15.4 | 15.1 |

### Swiss regulatory capital and ratios

As of the end of 3Q14, Swiss CET1 capital and Swiss total capital ratios were 14.2% and 20.0%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, Swiss CET1 capital was CHF 27.8 billion and the Swiss CET1 ratio was 9.7% as of the end of 3Q14. Swiss total eligible capital was CHF 45.4 billion and the Swiss total capital ratio was 15.8% as of the end of 3Q14, each on a look-through basis.

### Swiss leverage ratio

As of the end of 3Q14, the Swiss leverage ratio was 4.9% and total average exposure was CHF 1,204.7 billion. As of the end of 3Q14, Swiss total exposure was CHF 1,240 billion compared to Credit Suisse's target of approximately CHF 1,050 billion by end-2015, on a foreign exchange adjusted basis. The Look-through Swiss leverage ratio was 3.8% as of the end of 3Q14, compared to the current 4.0% requirement for 2019. For 2015, the Swiss leverage ratio requirement for 2019 will be 4.1%.

### Swiss leverage ratio

| | | | Phase-in | | | Look-through |
|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | **3Q14** | 2Q14 | 4Q13 |
| **Leverage ratios (%)** | | | | | | |
| Swiss leverage ratio | 4.9 | 4.8 | 5.1 | 3.8 | 3.7 | 3.7 |

## Quarterly results documentation

The **Results Presentation Slides** and the **Results Summary** are available for download from 06:45 CEST today at: https://www.credit-suisse.com/results

The **3Q14 Financial Report** will be available for download on or about October 31, 2014 at: https://www.credit-suisse.com/results

Hard copies of the **3Q14 Financial Report** may be ordered free of charge at: https://publications.credit-suisse.com/index.cfm/publikationen-shop/quarterly-reports/

### Presentation of 3Q14 – Thursday, October 23, 2014

| **Event** | **Analyst, investor and media presentation** |
|---|---|
| **Time** | 09:00 Zurich<br>08:00 London<br>03:00 New York |
| **Speakers** | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer |
| **Language** | The presentation will be held in English. |
| **Access via Internet** | Audio webcast: www.credit-suisse.com/results<br>Audio playback available |
| **Access via Telephone** | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results<br>Please dial in 10-15 minutes before the start of the presentation. |
| **Q&A Session** | Opportunity to ask questions via the telephone conference. |
| **Playback** | Replay available approximately two hours after the event:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID: 15703605# |

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## Important information

The Group has not finalized its 3Q14 Financial Report and the Group's independent registered public accounting firm has not completed its review of the condensed consolidated financial statements (unaudited) for the period. Accordingly, the financial information contained in this Earnings Release is subject to completion of quarter-end procedures, which may result in changes to that information. Certain reclassifications have been made to prior periods to conform to the current presentation.

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

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

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

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-strategic risk-weighted assets from reported shareholders' equity). Return on regulatory capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

Adjusted cost run-rates are non-GAAP financial measures. All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 3Q14 Results Presentation Slides.

The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions which is discussed above relates only to those proceedings for which the Group believes an estimate is possible and which are discussed in Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and updated in its quarterly reports (including the 3Q14 Financial Report that is scheduled to be released on October 31). It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. For additional details, see Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and the litigation note in each of its quarterly Financial Reports.

Strategic net new assets are determined based on the assumption that assets managed across businesses relate to strategic businesses only.

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

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

# Appendix

## Key metrics

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | 1,025 | (700) | 454 | – | 126 | 1,184 | 2,802 | (58) |
| of which from continuing operations | 919 | (691) | 304 | – | 202 | 1,072 | 2,655 | (60) |
| Basic earnings/(loss) per share from continuing operations (CHF) | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.48 | (59) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.47 | (59) |
| Return on equity attributable to shareholders (%) | 9.7 | (6.7) | 4.3 | – | – | 3.7 | 9.3 | – |
| Effective tax rate (%) | 27.4 | (88.7) | 40.4 | – | – | 44.5 | 30.2 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,537 | 6,433 | 5,449 | 2 | 20 | 19,439 | 19,297 | 1 |
| Provision for credit losses | 59 | 18 | 41 | 228 | 44 | 111 | 114 | (3) |
| Total operating expenses | 5,177 | 6,785 | 4,720 | (24) | 10 | 16,997 | 15,150 | 12 |
| Income/(loss) from continuing operations before taxes | 1,301 | (370) | 688 | – | 89 | 2,331 | 4,033 | (42) |
| Cost/income ratio (%) | 79.2 | 105.5 | 86.6 | – | – | 87.4 | 78.5 | – |
| Pre-tax income margin (%) | 19.9 | (5.8) | 12.6 | – | – | 12.0 | 20.9 | – |
| **Strategic results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,287 | 6,309 | 5,693 | 0 | 10 | 19,126 | 19,451 | (2) |
| Income from continuing operations before taxes | 1,622 | 1,775 | 1,416 | (9) | 15 | 5,341 | 5,712 | (6) |
| Cost/income ratio (%) | 73.4 | 71.5 | 74.8 | – | – | 71.6 | 70.3 | – |
| Return on equity – strategic results (%) | 11.0 | 13.0 | 10.0 | – | – | 12.7 | 14.4 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| Net revenues | 250 | 124 | (244) | 102 | – | 313 | (154) | – |
| Loss from continuing operations before taxes | (321) | (2,145) | (728) | (85) | (56) | (3,010) | (1,679) | 79 |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,366.1 | 1,319.6 | 1,239.3 | 3.5 | 10.2 | 1,366.1 | 1,239.3 | 10.2 |
| Net new assets from continuing operations | 7.8 | 10.7 | 8.8 | (27.1) | (11.4) | 33.2 | 31.9 | 4.1 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 954,362 | 891,580 | 895,169 | 7 | 7 | 954,362 | 895,169 | 7 |
| Net loans | 265,243 | 254,532 | 245,232 | 4 | 8 | 265,243 | 245,232 | 8 |
| Total shareholders' equity | 43,864 | 40,944 | 42,162 | 7 | 4 | 43,864 | 42,162 | 4 |
| Tangible shareholders' equity | 35,178 | 32,716 | 33,838 | 8 | 4 | 35,178 | 33,838 | 4 |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 292,879 | 285,421 | 269,263 | 3 | 9 | 292,879 | 269,263 | 9 |
| CET1 ratio (%) | 14.3 | 13.8 | 16.3 | – | – | 14.3 | 16.3 | – |
| Look-through CET1 ratio (%) | 9.8 | 9.5 | 10.2 | – | – | 9.8 | 10.2 | – |
| Swiss leverage ratio (%) | 4.9 | 4.8 | 4.5 | – | – | 4.9 | 4.5 | – |
| Look-through Swiss leverage ratio (%) | 3.8 | 3.7 | – | – | – | 3.8 | – | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 1,600.8 | 1,600.0 | 1,592.4 | 0 | 1 | 1,600.8 | 1,592.4 | 1 |
| of which common shares issued | 1,607.2 | 1,607.2 | 1,595.4 | 0 | 1 | 1,607.2 | 1,595.4 | 1 |
| of which treasury shares | (6.4) | (7.2) | (3.0) | (11) | 113 | (6.4) | (3.0) | 113 |
| Book value per share (CHF) | 27.40 | 25.59 | 26.48 | 7 | 3 | 27.40 | 26.48 | 3 |
| Tangible book value per share (CHF) | 21.98 | 20.45 | 21.25 | 7 | 3 | 21.98 | 21.25 | 3 |
| Market capitalization (CHF million) | 42,542 | 40,758 | 44,066 | 4 | (3) | 42,542 | 44,066 | (3) |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

See relevant tables for additional information on these metrics.

## Credit Suisse

| | 3Q14 | 2Q14 | in / end of 3Q13 | % change QoQ | % change YoY | 9M14 | in / end of 9M13 | % change YoY |
|---|---|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,578** | **6,463** | **5,676** | 2 | 16 | **19,870** | **19,717** | 1 |
| **Provision for credit losses** | **59** | **18** | **41** | 228 | 44 | **111** | **114** | (3) |
| Compensation and benefits | 2,747 | 2,973 | 2,532 | (8) | 8 | 8,713 | 8,449 | 3 |
| General and administrative expenses | 2,041 | 3,441 | 1,771 | (41) | 15 | 7,172 | 5,376 | 33 |
| Commission expenses | 393 | 377 | 422 | 4 | (7) | 1,139 | 1,349 | (16) |
| Total other operating expenses | 2,434 | 3,818 | 2,193 | (36) | 11 | 8,311 | 6,725 | 24 |
| **Total operating expenses** | **5,181** | **6,791** | **4,725** | (24) | 10 | **17,024** | **15,174** | 12 |
| **Income/(loss) from continuing operations before taxes** | **1,338** | **(346)** | **910** | – | 47 | **2,735** | **4,429** | (38) |
| Income tax expense | 366 | 307 | 368 | 19 | (1) | 1,216 | 1,339 | (9) |
| **Income/(loss) from continuing operations** | **972** | **(653)** | **542** | – | 79 | **1,519** | **3,090** | (51) |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Net income/(loss)** | **1,078** | **(662)** | **692** | – | 56 | **1,631** | **3,237** | (50) |
| Net income attributable to noncontrolling interests | 53 | 38 | 238 | 39 | (78) | 447 | 435 | 3 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | – | 126 | **1,184** | **2,802** | (58) |
| of which from continuing operations | 919 | (691) | 304 | – | 202 | 1,072 | 2,655 | (60) |
| of which from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.48 | (59) |
| Basic earnings/(loss) per share | 0.61 | (0.46) | 0.26 | – | 135 | 0.68 | 1.57 | (57) |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | – | 224 | 0.61 | 1.47 | (59) |
| Diluted earnings/(loss) per share | 0.61 | (0.46) | 0.26 | – | 135 | 0.68 | 1.55 | (56) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | 9.7 | (6.7) | 4.3 | – | – | 3.7 | 9.3 | – |
| Return on tangible equity attributable to shareholders [1] | 12.2 | (8.3) | 5.4 | – | – | 4.6 | 11.9 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

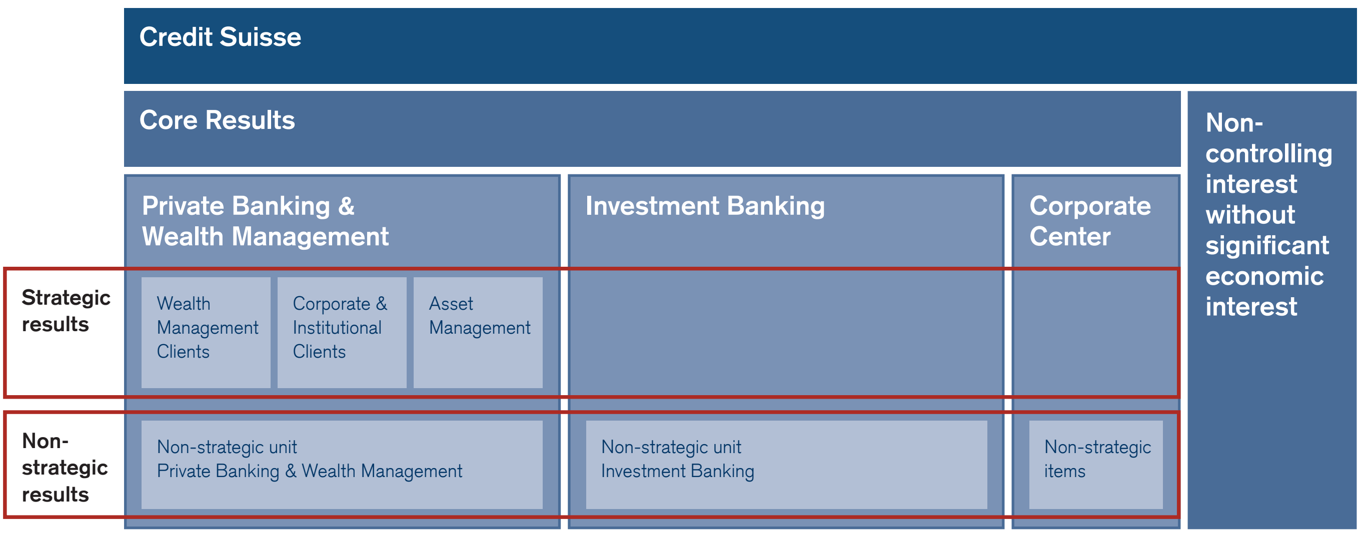
[1] Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders. Management believes that the return on tangible shareholders' equity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

## Credit Suisse and Core Results

| | Core Results | | | Noncontrolling interests without SEI | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,537** | **6,433** | **5,449** | **41** | **30** | **227** | **6,578** | **6,463** | **5,676** |
| **Provision for credit losses** | **59** | **18** | **41** | **0** | **0** | **0** | **59** | **18** | **41** |
| Compensation and benefits | 2,746 | 2,969 | 2,529 | 1 | 4 | 3 | 2,747 | 2,973 | 2,532 |
| General and administrative expenses | 2,038 | 3,439 | 1,769 | 3 | 2 | 2 | 2,041 | 3,441 | 1,771 |
| Commission expenses | 393 | 377 | 422 | 0 | 0 | 0 | 393 | 377 | 422 |
| Total other operating expenses | 2,431 | 3,816 | 2,191 | 3 | 2 | 2 | 2,434 | 3,818 | 2,193 |
| **Total operating expenses** | **5,177** | **6,785** | **4,720** | **4** | **6** | **5** | **5,181** | **6,791** | **4,725** |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | **37** | **24** | **222** | **1,338** | **(346)** | **910** |
| Income tax expense | 366 | 307 | 368 | 0 | 0 | 0 | 366 | 307 | 368 |
| **Income/(loss) from continuing operations** | **935** | **(677)** | **320** | **37** | **24** | **222** | **972** | **(653)** | **542** |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | 0 | 0 | 0 | 106 | (9) | 150 |
| **Net income/(loss)** | **1,041** | **(686)** | **470** | **37** | **24** | **222** | **1,078** | **(662)** | **692** |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 37 | 24 | 222 | 53 | 38 | 238 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **–** | **–** | **–** | **1,025** | **(700)** | **454** |
| of which from continuing operations | 919 | (691) | 304 | – | – | – | 919 | (691) | 304 |
| of which from discontinued operations | 106 | (9) | 150 | – | – | – | 106 | (9) | 150 |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 79.2 | 105.5 | 86.6 | – | – | – | 78.8 | 105.1 | 83.2 |
| Pre-tax income margin | 19.9 | (5.8) | 12.6 | – | – | – | 20.3 | (5.4) | 16.0 |
| Effective tax rate | 28.1 | (83.0) | 53.5 | – | – | – | 27.4 | (88.7) | 40.4 |
| Net income margin [1] | 15.7 | (10.9) | 8.3 | – | – | – | 15.6 | (10.8) | 8.0 |

[1] Based on amounts attributable to shareholders.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

## Core Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 2,149 | 2,590 | 1,919 | (17) | 12 | 6,922 | 6,358 | 9 |
| Commissions and fees | 3,256 | 3,311 | 3,021 | (2) | 8 | 9,843 | 9,819 | 0 |
| Trading revenues | 894 | 186 | 273 | 381 | 227 | 1,710 | 2,463 | (31) |
| Other revenues | 238 | 346 | 236 | (31) | 1 | 964 | 657 | 47 |
| **Net revenues** | **6,537** | **6,433** | **5,449** | 2 | 20 | **19,439** | **19,297** | 1 |
| of which strategic results | 6,287 | 6,309 | 5,693 | 0 | 10 | 19,126 | 19,451 | (2) |
| of which non-strategic results | 250 | 124 | (244) | 102 | – | 313 | (154) | – |
| **Provision for credit losses** | **59** | **18** | **41** | 228 | 44 | **111** | **114** | (3) |
| Compensation and benefits | 2,746 | 2,969 | 2,529 | (8) | 9 | 8,692 | 8,433 | 3 |
| General and administrative expenses | 2,038 | 3,439 | 1,769 | (41) | 15 | 7,166 | 5,368 | 33 |
| Commission expenses | 393 | 377 | 422 | 4 | (7) | 1,139 | 1,349 | (16) |
| Total other operating expenses | 2,431 | 3,816 | 2,191 | (36) | 11 | 8,305 | 6,717 | 24 |
| **Total operating expenses** | **5,177** | **6,785** | **4,720** | (24) | 10 | **16,997** | **15,150** | 12 |
| of which strategic results | 4,612 | 4,509 | 4,257 | 2 | 8 | 13,689 | 13,680 | 0 |
| of which non-strategic results | 565 | 2,276 | 463 | (75) | 22 | 3,308 | 1,470 | 125 |
| **Income/(loss) from continuing operations before taxes** | **1,301** | **(370)** | **688** | – | 89 | **2,331** | **4,033** | (42) |
| of which strategic results | 1,622 | 1,775 | 1,416 | (9) | 15 | 5,341 | 5,712 | (6) |
| of which non-strategic results | (321) | (2,145) | (728) | (85) | (56) | (3,010) | (1,679) | 79 |
| Income tax expense | 366 | 307 | 368 | 19 | (1) | 1,216 | 1,339 | (9) |
| **Income/(loss) from continuing operations** | **935** | **(677)** | **320** | – | 192 | **1,115** | **2,694** | (59) |
| Income/(loss) from discontinued operations | 106 | (9) | 150 | – | (29) | 112 | 147 | (24) |
| **Net income/(loss)** | **1,041** | **(686)** | **470** | – | 121 | **1,227** | **2,841** | (57) |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 14 | 0 | 43 | 39 | 10 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | – | 126 | **1,184** | **2,802** | (58) |
| of which strategic results | 1,115 | 1,288 | 987 | (13) | 13 | 3,807 | 4,013 | (5) |
| of which non-strategic results | (90) | (1,988) | (533) | (95) | (83) | (2,623) | (1,211) | 117 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 12.8 | – | 6.8 | – | – | 7.8 | 13.4 | – |
| Cost/income ratio | 79.2 | 105.5 | 86.6 | – | – | 87.4 | 78.5 | – |
| Pre-tax income margin | 19.9 | (5.8) | 12.6 | – | – | 12.0 | 20.9 | – |
| Effective tax rate | 28.1 | (83.0) | 53.5 | – | – | 52.2 | 33.2 | – |
| Net income margin [2] | 15.7 | (10.9) | 8.3 | – | – | 6.1 | 14.5 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity – strategic results | 11.0 | 13.0 | 10.0 | – | – | 12.7 | 14.4 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,500 | 45,100 | 46,400 | 1 | (2) | 45,500 | 46,400 | (2) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Based on amounts attributable to shareholders.

## Core Results – strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 | **3Q14** | 2Q14 | 3Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,287** | **6,309** | **5,693** | **250** | **124** | **(244)** | **6,537** | **6,433** | **5,449** |
| **Provision for credit losses** | **53** | **25** | **20** | **6** | **(7)** | **21** | **59** | **18** | **41** |
| Compensation and benefits | 2,635 | 2,719 | 2,362 | 111 | 250 | 167 | 2,746 | 2,969 | 2,529 |
| Total other operating expenses | 1,977 | 1,790 | 1,895 | 454 | 2,026 | 296 | 2,431 | 3,816 | 2,191 |
| **Total operating expenses** | **4,612** | **4,509** | **4,257** | **565** | **2,276** | **463** | **5,177** | **6,785** | **4,720** |
| **Income/(loss) from continuing operations before taxes** | **1,622** | **1,775** | **1,416** | **(321)** | **(2,145)** | **(728)** | **1,301** | **(370)** | **688** |
| Income tax expense/(benefit) | 491 | 473 | 413 | (125) | (166) | (45) | 366 | 307 | 368 |
| **Income/(loss) from continuing operations** | **1,131** | **1,302** | **1,003** | **(196)** | **(1,979)** | **(683)** | **935** | **(677)** | **320** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | 106 | (9) | 150 | 106 | (9) | 150 |
| **Net income/(loss)** | **1,131** | **1,302** | **1,003** | **(90)** | **(1,988)** | **(533)** | **1,041** | **(686)** | **470** |
| Net income attributable to noncontrolling interests | 16 | 14 | 16 | 0 | 0 | 0 | 16 | 14 | 16 |
| **Net income/(loss) attributable to shareholders** | **1,115** | **1,288** | **987** | **(90)** | **(1,988)** | **(533)** | **1,025** | **(700)** | **454** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 268,668 | 259,612 | 236,044 | 17,652 | 19,557 | 25,012 | 286,320 | 279,169 | 261,056 |
| Total assets | 916,536 | 849,471 | 838,441 | 36,539 | 40,808 | 52,628 | 953,075 | 890,279 | 891,069 |
| Swiss leverage exposure | 1,162,670 | 1,071,309 | 1,076,023 | 76,834 | 84,725 | 107,525 | 1,239,504 | 1,156,034 | 1,183,548 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,125** | **3,046** | **3,316** | 3 | (6) | **9,411** | **10,013** | (6) |
| of which strategic results | 2,939 | 2,932 | 2,934 | 0 | 0 | 8,902 | 9,174 | (3) |
| of which non-strategic results | 186 | 114 | 382 | 63 | (51) | 509 | 839 | (39) |
| **Provision for credit losses** | **25** | **23** | **34** | 9 | (26) | **81** | **108** | (25) |
| Compensation and benefits | 1,194 | 1,235 | 1,285 | (3) | (7) | 3,719 | 4,017 | (7) |
| General and administrative expenses | 795 | 2,367 | 787 | (66) | 1 | 3,898 | 2,471 | 58 |
| Commission expenses | 168 | 170 | 192 | (1) | (13) | 507 | 601 | (16) |
| Total other operating expenses | 963 | 2,537 | 979 | (62) | (2) | 4,405 | 3,072 | 43 |
| **Total operating expenses** | **2,157** | **3,772** | **2,264** | (43) | (5) | **8,124** | **7,089** | 15 |
| of which strategic results | 2,041 | 2,020 | 2,113 | 1 | (3) | 6,110 | 6,540 | (7) |
| of which non-strategic results | 116 | 1,752 | 151 | (93) | (23) | 2,014 | 549 | 267 |
| **Income/(loss) before taxes** | **943** | **(749)** | **1,018** | – | (7) | **1,206** | **2,816** | (57) |
| of which strategic results | 872 | 882 | 808 | (1) | 8 | 2,719 | 2,579 | 5 |
| of which non-strategic results | 71 | (1,631) | 210 | – | (66) | (1,513) | 237 | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 27.3 | – | 31.8 | – | – | 12.0 | 29.7 | – |
| Cost/income ratio | 69.0 | 123.8 | 68.3 | – | – | 86.3 | 70.8 | – |
| Pre-tax income margin | 30.2 | (24.6) | 30.7 | – | – | 12.8 | 28.1 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,366.1 | 1,329.7 | 1,268.2 | 2.7 | 7.7 | 1,366.1 | 1,268.2 | 7.7 |
| Net new assets | 7.4 | 10.1 | 8.1 | (26.7) | (8.6) | 31.2 | 27.7 | 12.6 |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 26,000 | 25,800 | 26,100 | 1 | 0 | 26,000 | 26,100 | – |
| Number of relationship managers | 4,270 | 4,340 | 4,340 | (2) | (2) | 4,270 | 4,340 | (2) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Private Banking & Wealth Management (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 980 | 970 | 1,070 | 1 | (8) | 2,929 | 3,194 | (8) |
| Recurring commissions and fees | 1,191 | 1,184 | 1,235 | 1 | (4) | 3,564 | 3,724 | (4) |
| Transaction- and performance-based revenues | 846 | 885 | 798 | (4) | 6 | 2,668 | 2,781 | (4) |
| Other revenues [1] | 108 | 7 | 213 | – | (49) | 250 | 314 | (20) |
| **Net revenues** | **3,125** | **3,046** | **3,316** | 3 | (6) | **9,411** | **10,013** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 43 | 59 | 65 | (27) | (34) | 155 | 205 | (24) |
| Releases of provisions | (18) | (36) | (31) | (50) | (42) | (74) | (97) | (24) |
| **Provision for credit losses** | **25** | **23** | **34** | 9 | (26) | **81** | **108** | (25) |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

## Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 968 | 954 | 1,044 | 1 | (7) | 2,885 | 3,117 | (7) |
| Recurring commissions and fees | 1,149 | 1,136 | 1,149 | 1 | 0 | 3,424 | 3,405 | 1 |
| Transaction- and performance-based revenues | 827 | 865 | 774 | (4) | 7 | 2,611 | 2,681 | (3) |
| Other revenues | (5) | (23) | (33) | (78) | (85) | (18) | (29) | (38) |
| **Net revenues** | **2,939** | **2,932** | **2,934** | 0 | 0 | **8,902** | **9,174** | (3) |
| New provisions | 43 | 49 | 44 | (12) | (2) | 128 | 152 | (16) |
| Releases of provisions | (17) | (19) | (31) | (11) | (45) | (55) | (97) | (43) |
| **Provision for credit losses** | **26** | **30** | **13** | (13) | 100 | **73** | **55** | 33 |
| Compensation and benefits | 1,150 | 1,184 | 1,205 | (3) | (5) | 3,559 | 3,785 | (6) |
| General and administrative expenses | 731 | 672 | 726 | 9 | 1 | 2,063 | 2,188 | (6) |
| Commission expenses | 160 | 164 | 182 | (2) | (12) | 488 | 567 | (14) |
| Total other operating expenses | 891 | 836 | 908 | 7 | (2) | 2,551 | 2,755 | (7) |
| **Total operating expenses** | **2,041** | **2,020** | **2,113** | 1 | (3) | **6,110** | **6,540** | (7) |
| **Income before taxes** | **872** | **882** | **808** | (1) | 8 | **2,719** | **2,579** | 5 |
| of which Wealth Management Clients | 536 | 569 | 509 | (6) | 5 | 1,683 | 1,584 | 6 |
| of which Corporate & Institutional Clients | 240 | 211 | 251 | 14 | (4) | 697 | 752 | (7) |
| of which Asset Management | 96 | 102 | 48 | (6) | 100 | 339 | 243 | 40 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 26.7 | 28.0 | 27.2 | – | – | 28.7 | 29.3 | – |
| Cost/income ratio | 69.4 | 68.9 | 72.0 | – | – | 68.6 | 71.3 | – |
| Pre-tax income margin | 29.7 | 30.1 | 27.5 | – | – | 30.5 | 28.1 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 100,114 | 96,805 | 87,229 | 3 | 15 | 100,114 | 87,229 | 15 |
| Total assets | 328,636 | 306,919 | 291,262 | 7 | 13 | 328,636 | 291,262 | 13 |
| Swiss leverage exposure | 362,285 | 340,047 | 322,793 | 7 | 12 | 362,285 | 322,793 | 12 |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 29% in 9M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,042** | **2,017** | **2,062** | 1 | (1) | **6,133** | **6,388** | (4) |
| **Provision for credit losses** | **17** | **17** | **21** | 0 | (19) | **50** | **60** | (17) |
| **Total operating expenses** | **1,489** | **1,431** | **1,532** | 4 | (3) | **4,400** | **4,744** | (7) |
| **Income before taxes** | **536** | **569** | **509** | (6) | 5 | **1,683** | **1,584** | 6 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 72.9 | 70.9 | 74.3 | – | – | 71.7 | 74.3 | – |
| Pre-tax income margin | 26.2 | 28.2 | 24.7 | – | – | 27.4 | 24.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 695 | 688 | 766 | 1 | (9) | 2,089 | 2,290 | (9) |
| Recurring commissions and fees | 744 | 728 | 747 | 2 | 0 | 2,202 | 2,214 | (1) |
| Transaction- and performance-based revenues | 603 | 601 | 549 | 0 | 10 | 1,842 | 1,884 | (2) |
| **Net revenues** | **2,042** | **2,017** | **2,062** | 1 | (1) | **6,133** | **6,388** | (4) |
| **Gross and net margin (annualized) (bp)** | | | | | | | | |
| Net interest income | 33 | 34 | 39 | – | – | 34 | 39 | – |
| Recurring commissions and fees | 35 | 36 | 38 | – | – | 36 | 37 | – |
| Transaction- and performance-based revenues | 29 | 29 | 28 | – | – | 30 | 32 | – |
| **Gross margin** [1] | **97** | **99** | **105** | – | – | **100** | **108** | – |
| **Net margin** [2] | **25** | **28** | **26** | – | – | **27** | **27** | – |
| **Number of relationship managers** | | | | | | | | |
| Switzerland | 1,670 | 1,680 | 1,580 | (1) | 6 | 1,670 | 1,580 | 6 |
| EMEA | 1,050 | 1,110 | 1,180 | (5) | (11) | 1,050 | 1,180 | (11) |
| Americas | 550 | 540 | 590 | 2 | (7) | 550 | 590 | (7) |
| Asia Pacific | 480 | 470 | 430 | 2 | 12 | 480 | 430 | 12 |
| **Number of relationship managers** | **3,750** | **3,800** | **3,780** | **(1)** | **(1)** | **3,750** | **3,780** | **(1)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

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

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

## Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **488** | **475** | **499** | 3 | (2) | **1,455** | **1,511** | (4) |
| **Provision for credit losses** | **9** | **13** | **(8)** | (31) | – | **23** | **(5)** | – |
| **Total operating expenses** | **239** | **251** | **256** | (5) | (7) | **735** | **764** | (4) |
| **Income before taxes** | **240** | **211** | **251** | 14 | (4) | **697** | **752** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 49.0 | 52.8 | 51.3 | – | – | 50.5 | 50.6 | – |
| Pre-tax income margin | 49.2 | 44.4 | 50.3 | – | – | 47.9 | 49.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 273 | 266 | 278 | 3 | (2) | 796 | 827 | (4) |
| Recurring commissions and fees | 113 | 113 | 117 | 0 | (3) | 348 | 343 | 1 |
| Transaction- and performance-based revenues | 107 | 118 | 105 | (9) | 2 | 342 | 353 | (3) |
| Other revenues [1] | (5) | (22) | (1) | (77) | 400 | (31) | (12) | 158 |
| **Net revenues** | **488** | **475** | **499** | 3 | (2) | **1,455** | **1,511** | (4) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 520 | 540 | 560 | (4) | (7) | 520 | 560 | (7) |

[1] Reflects fair value gains/(losses) on the Clock Finance transaction.

## Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **313** | **338** | **325** | (7) | (4) | **975** | **1,032** | (6) |
| **Income before taxes** | **96** | **102** | **48** | (6) | 100 | **339** | **243** | 40 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.5 | 76.8 | 87.1 | – | – | 74.2 | 80.9 | – |
| Pre-tax income margin | 23.5 | 23.2 | 12.9 | – | – | 25.8 | 19.1 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 292 | 295 | 285 | (1) | 2 | 874 | 848 | 3 |
| Transaction- and performance-based revenues | 117 | 146 | 120 | (20) | (3) | 427 | 444 | (4) |
| Other revenues | 0 | (1) | (32) | 100 | 100 | 13 | (17) | – |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 292 | 295 | 285 | (1) | 2 | 874 | 848 | 3 |
| Placement, transaction and other fees | 63 | 59 | 61 | 7 | 3 | 178 | 168 | 6 |
| Performance fees and carried interest | 22 | 59 | 36 | (63) | (39) | 161 | 200 | (20) |
| Equity participations income | 21 | 15 | 12 | 40 | 75 | 51 | 32 | 59 |
| Fee-based revenues | 398 | 428 | 394 | (7) | 1 | 1,264 | 1,248 | 1 |
| Investment-related gains/(losses) | 11 | 6 | (2) | 83 | – | 36 | 33 | 9 |
| Equity participations and other gains/(losses) | 0 | 3 | (18) | (100) | 100 | 3 | (18) | – |
| Other revenues [1] | 0 | 3 | (1) | (100) | 100 | 11 | 12 | (8) |
| **Net revenues** | **409** | **440** | **373** | (7) | 10 | **1,314** | **1,275** | 3 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 42 | 46 | 45 | – | – | 46 | 48 | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **186** | **114** | **382** | 63 | (51) | **509** | **839** | (39) |
| **Provision for credit losses** | **(1)** | **(7)** | **21** | (86) | – | **8** | **53** | (85) |
| Compensation and benefits | 44 | 51 | 80 | (14) | (45) | 160 | 232 | (31) |
| Total other operating expenses | 72 | 1,701 | 71 | (96) | 1 | 1,854 | 317 | 485 |
| **Total operating expenses** | **116** | **1,752** | **151** | (93) | (23) | **2,014** | **549** | 267 |
| **Income/(loss) before taxes** | **71** | **(1,631)** | **210** | – | (66) | **(1,513)** | **237** | – |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 122 | 22 | 25 | 455 | 388 | 166 | 136 | 22 |
| Legacy cross-border business and small markets | 38 | 41 | 49 | (7) | (22) | 123 | 151 | (19) |
| Restructuring of former Asset Management division | 12 | 38 | 288 | (68) | (96) | 184 | 480 | (62) |
| Other | 14 | 13 | 20 | 8 | (30) | 36 | 72 | (50) |
| **Net revenues** | **186** | **114** | **382** | 63 | (51) | **509** | **839** | (39) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 6,612 | 6,732 | 6,469 | (2) | 2 | 6,612 | 6,469 | 2 |
| Total assets | 13,396 | 15,750 | 22,197 | (15) | (40) | 13,396 | 22,197 | (40) |
| Swiss leverage exposure | 14,230 | 16,691 | 23,096 | (15) | (38) | 14,230 | 23,096 | (38) |

## Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,303** | **3,342** | **2,552** | (1) | 29 | **10,061** | **9,897** | 2 |
| of which strategic results | 3,419 | 3,380 | 2,749 | 1 | 24 | 10,339 | 10,315 | 0 |
| of which non-strategic results | (116) | (38) | (197) | 205 | (41) | (278) | (418) | (33) |
| **Provision for credit losses** | **36** | **(5)** | **7** | – | 414 | **31** | **5** | – |
| Compensation and benefits | 1,450 | 1,499 | 1,129 | (3) | 28 | 4,470 | 4,080 | 10 |
| General and administrative expenses | 1,076 | 889 | 961 | 21 | 12 | 2,821 | 2,810 | 0 |
| Commission expenses | 225 | 207 | 226 | 9 | 0 | 644 | 719 | (10) |
| Total other operating expenses | 1,301 | 1,096 | 1,187 | 19 | 10 | 3,465 | 3,529 | (2) |
| **Total operating expenses** | **2,751** | **2,595** | **2,316** | 6 | 19 | **7,935** | **7,609** | 4 |
| of which strategic results | 2,395 | 2,343 | 2,045 | 2 | 17 | 7,150 | 6,899 | 4 |
| of which non-strategic results | 356 | 252 | 271 | 41 | 31 | 785 | 710 | 11 |
| **Income before taxes** | **516** | **752** | **229** | (31) | 125 | **2,095** | **2,283** | (8) |
| of which strategic results | 995 | 1,042 | 697 | (5) | 43 | 3,165 | 3,413 | (7) |
| of which non-strategic results | (479) | (290) | (468) | 65 | 2 | (1,070) | (1,130) | (5) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 8.3 | 12.3 | 3.6 | – | – | 11.4 | 11.8 | – |
| Cost/income ratio | 83.3 | 77.6 | 90.8 | – | – | 78.9 | 76.9 | – |
| Pre-tax income margin | 15.6 | 22.5 | 9.0 | – | – | 20.8 | 23.1 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,200 | 19,000 | 20,000 | 1 | (4) | 19,200 | 20,000 | (4) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 27% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 519 | 483 | 424 | 7 | 22 | 1,470 | 1,420 | 4 |
| Equity underwriting | 214 | 268 | 129 | (20) | 66 | 665 | 493 | 35 |
| Total underwriting | 733 | 751 | 553 | (2) | 33 | 2,135 | 1,913 | 12 |
| Advisory and other fees | 170 | 161 | 152 | 6 | 12 | 511 | 464 | 10 |
| **Total underwriting and advisory** | **903** | **912** | **705** | (1) | 28 | **2,646** | **2,377** | 11 |
| Fixed income sales and trading | 1,440 | 1,428 | 833 | 1 | 73 | 4,357 | 4,077 | 7 |
| Equity sales and trading | 1,071 | 1,134 | 1,065 | (6) | 1 | 3,406 | 3,700 | (8) |
| **Total sales and trading** | **2,511** | **2,562** | **1,898** | (2) | 32 | **7,763** | **7,777** | 0 |
| Other | (111) | (132) | (51) | (16) | 118 | (348) | (257) | 35 |
| **Net revenues** | **3,303** | **3,342** | **2,552** | (1) | 29 | **10,061** | **9,897** | (100) |

## Investment Banking – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 519 | 483 | 424 | 7 | 22 | 1,470 | 1,419 | 4 |
| Equity underwriting | 214 | 268 | 129 | (20) | 66 | 665 | 492 | 35 |
| Total underwriting | 733 | 751 | 553 | (2) | 33 | 2,135 | 1,911 | 12 |
| Advisory and other fees | 170 | 161 | 152 | 6 | 12 | 511 | 464 | 10 |
| **Total underwriting and advisory** | **903** | **912** | **705** | (1) | 28 | **2,646** | **2,375** | 11 |
| Fixed income sales and trading | 1,551 | 1,470 | 1,031 | 6 | 50 | 4,607 | 4,438 | 4 |
| Equity sales and trading | 1,069 | 1,119 | 1,095 | (4) | (2) | 3,394 | 3,779 | (10) |
| **Total sales and trading** | **2,620** | **2,589** | **2,126** | 1 | 23 | **8,001** | **8,217** | (3) |
| Other | (104) | (121) | (82) | (14) | 27 | (308) | (277) | 11 |
| **Net revenues** | **3,419** | **3,380** | **2,749** | 1 | 24 | **10,339** | **10,315** | 0 |
| **Provision for credit losses** | **29** | **(5)** | **7** | – | 314 | **24** | **3** | – |
| Compensation and benefits | 1,412 | 1,465 | 1,080 | (4) | 31 | 4,357 | 3,945 | 10 |
| General and administrative expenses | 766 | 680 | 746 | 13 | 3 | 2,172 | 2,264 | (4) |
| Commission expenses | 217 | 198 | 219 | 10 | (1) | 621 | 690 | (10) |
| Total other operating expenses | 983 | 878 | 965 | 12 | 2 | 2,793 | 2,954 | (5) |
| **Total operating expenses** | **2,395** | **2,343** | **2,045** | 2 | 17 | **7,150** | **6,899** | 4 |
| **Income before taxes** | **995** | **1,042** | **697** | (5) | 43 | **3,165** | **3,413** | (7) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on regulatory capital [1] | 17.1 | 18.7 | 12.4 | – | – | 18.9 | 19.9 | – |
| Cost/income ratio | 70.0 | 69.3 | 74.4 | – | – | 69.2 | 66.9 | – |
| Pre-tax income margin | 29.1 | 30.8 | 25.4 | – | – | 30.6 | 33.1 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 152,316 | 147,374 | 132,831 | 3 | 15 | 152,316 | 132,831 | 15 |
| Risk-weighted assets – Basel III (USD) | 159,410 | 166,186 | 146,897 | (4) | 9 | 159,410 | 146,897 | 9 |
| Total assets | 541,941 | 500,043 | 515,555 | 8 | 5 | 541,941 | 515,555 | 5 |
| Swiss leverage exposure | 755,332 | 688,587 | 716,744 | 10 | 5 | 755,332 | 716,744 | 5 |
| Swiss leverage exposure (USD) | 790,509 | 776,485 | 792,639 | 2 | – | 790,509 | 792,639 | – |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 3Q14, 2Q14, 3Q13, 9M14 and 28% in 9M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(116)** | **(38)** | **(197)** | 205 | (41) | **(278)** | **(418)** | (33) |
| **Provision for credit losses** | **7** | **0** | **0** | – | – | **7** | **2** | 250 |
| Compensation and benefits | 38 | 34 | 49 | 12 | (22) | 113 | 135 | (16) |
| Total other operating expenses | 318 | 218 | 222 | 46 | 43 | 672 | 575 | 17 |
| of which litigation | 227 | 157 | 153 | 45 | 48 | 449 | 381 | 18 |
| **Total operating expenses** | **356** | **252** | **271** | 41 | 31 | **785** | **710** | 11 |
| **Loss before taxes** | **(479)** | **(290)** | **(468)** | 65 | 2 | **(1,070)** | **(1,130)** | (5) |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | (16) | (44) | (66) | (64) | (76) | (115) | (92) | 25 |
| Legacy rates business | (52) | 5 | (8) | – | – | (73) | 13 | – |
| Legacy funding costs | (35) | (34) | (95) | 3 | (63) | (115) | (287) | (60) |
| Other | (13) | 35 | (28) | – | (54) | 25 | (52) | – |
| **Net revenues** | **(116)** | **(38)** | **(197)** | 205 | (41) | **(278)** | **(418)** | (33) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 11,040 | 12,825 | 18,543 | (14) | (40) | 11,040 | 18,543 | (40) |
| Risk-weighted assets – Basel III (USD) | 11,554 | 14,462 | 20,506 | (20) | (44) | 11,554 | 20,506 | (44) |
| Total assets | 23,143 | 25,058 | 30,431 | (8) | (24) | 23,143 | 30,431 | (24) |
| Swiss leverage exposure | 62,604 | 68,034 | 84,429 | (8) | (26) | 62,604 | 84,429 | (26) |
| Swiss leverage exposure (USD) | 65,520 | 76,719 | 93,369 | (15) | (30) | 65,520 | 93,369 | (30) |

## Corporate Center results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **109** | **45** | **(419)** | 142 | – | **(33)** | **(613)** | (95) |
| **Provision for credit losses** | **(2)** | **0** | **0** | – | – | **(1)** | **1** | – |
| Compensation and benefits | 102 | 235 | 115 | (57) | (11) | 503 | 336 | 50 |
| General and administrative expenses | 167 | 183 | 21 | (9) | – | 447 | 87 | 414 |
| Commission expenses | 0 | 0 | 4 | – | (100) | (12) | 29 | – |
| Total other operating expenses | 167 | 183 | 25 | (9) | – | 435 | 116 | 275 |
| **Total operating expenses** | **269** | **418** | **140** | (36) | 92 | **938** | **452** | 108 |
| **Loss before taxes** | **(158)** | **(373)** | **(559)** | (58) | (72) | **(970)** | **(1,066)** | (9) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 16,238 | 15,433 | 15,984 | 5 | 2 | 16,238 | 15,984 | 2 |
| Total assets | 45,959 | 42,509 | 31,624 | 8 | 45 | 45,959 | 31,624 | 45 |
| Swiss leverage exposure | 45,053 | 42,675 | 36,486 | 6 | 23 | 45,053 | 36,486 | 23 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Corporate Center – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 3Q13 | QoQ | YoY | **9M14** | 9M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **180** | **48** | **(429)** | 275 | – | **82** | **(575)** | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **93** | **272** | **41** | (66) | 127 | **509** | **211** | 141 |
| **Income/(loss) before taxes** | **87** | **(224)** | **(470)** | – | – | **(427)** | **(786)** | (46) |
| of which fair value impact from movements in own credit spreads | 351 | (10) | (163) | – | – | 221 | (113) | – |
| of which realignment costs [1] | (69) | (136) | (38) | (49) | 82 | (267) | (263) | 2 |
| of which IT architecture simplification expenses | (69) | (81) | (40) | (15) | 73 | (211) | (59) | 258 |
| of which real estate sales | – | 5 | – | (100) | – | 39 | – | – |
| of which legacy funding costs [2] | (21) | (22) | (20) | (5) | 5 | (49) | (63) | (22) |
| of which reclassifications to discontinued operations [3] | (106) | 10 | (213) | – | (50) | (152) | (225) | (32) |
| of which other non-strategic items | 1 | 10 | 4 | (90) | (75) | (8) | (63) | (87) |

[1] Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
[2] Represents legacy funding costs associated with non-Basel III compliant debt instruments.
[3] Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and Customized Fund Investment Group businesses and the domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **3Q14** | 2Q14 | 3Q13 | **9M14** | 9M13 |
|---|---|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **351** | **(10)** | **(163)** | **221** | **(113)** |
| of which fair value gains/(losses) on own long-term vanilla debt | 252 | (29) | (68) | 131 | (88) |
| of which fair value gains/(losses) from DVA on structured notes | 97 | 4 | (99) | 97 | (61) |
| of which fair value gains/(losses) on stand-alone derivatives | 2 | 15 | 4 | (7) | 36 |

## Assets under management – Group

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | 3Q13 | QoQ | Ytd | YoY |
| **Assets under management (CHF billion)** | | | | | | | |
| Wealth Management Clients | 864.3 | 829.7 | 790.7 | 782.9 | 4.2 | 9.3 | 10.4 |
| Corporate & Institutional Clients | 266.6 | 261.4 | 250.0 | 241.1 | 2.0 | 6.6 | 10.6 |
| Asset Management | 391.1 | 377.1 | 352.3 | 349.0 | 3.7 | 11.0 | 12.1 |
| Non-strategic | 13.4 | 25.9 | 44.4 | 48.7 | (48.3) | (69.8) | (72.5) |
| Assets managed across businesses [1] | (169.3) | (164.4) | (155.0) | (153.5) | 3.0 | 9.2 | 10.3 |
| **Assets under management** | **1,366.1** | **1,329.7** | **1,282.4** | **1,268.2** | **2.7** | **6.5** | **7.7** |
| of which continuing operations | 1,366.1 | 1,319.6 | 1,253.4 | 1,239.3 | 3.5 | 9.0 | 10.2 |
| of which discontinued operations | 0.0 | 10.1 | 29.0 | 28.9 | (100.0) | (100.0) | (100.0) |
| **Assets under management from continuing operations** | **1,366.1** | **1,319.6** | **1,253.4** | **1,239.3** | **3.5** | **9.0** | **10.2** |
| of which discretionary assets | 434.5 | 421.0 | 397.6 | 393.3 | 3.2 | 9.3 | 10.5 |
| of which advisory assets | 931.6 | 898.6 | 855.8 | 846.0 | 3.7 | 8.9 | 10.1 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets – Group

| in | **3Q14** | 2Q14 | 3Q13 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Wealth Management Clients | 5.1 | 7.4 | 3.8 |
| Corporate & Institutional Clients | 0.9 | 0.6 | 0.5 |
| Asset Management | 3.3 | 4.1 | 4.4 |
| Non-strategic | (1.4) | (1.7) | (1.2) |
| Assets managed across businesses [1] | (0.5) | (0.3) | 0.6 |
| **Net new assets** | **7.4** | **10.1** | **8.1** |
| of which continuing operations | 7.8 | 10.7 | 8.8 |
| of which discontinued operations | (0.4) | (0.6) | (0.7) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## BIS statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | % change QoQ | **3Q14** | 2Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 43,864 | 40,944 | 42,164 | 7 | 43,864 | 40,944 | 42,164 | 7 |
| Regulatory adjustments [1] | (669) | (362) | (1,069) | 85 | (669) | (362) | (1,069) | 85 |
| Adjustments subject to phase-in | (1,359) [2] | (1,129) | 1,894 [3] | 20 | (15,274) | (14,163) | (14,615) | 8 |
| **CET1 capital** | **41,836** | **39,453** | **42,989** | 6 | **27,921** | **26,419** | **26,480** | 6 |
| Additional tier 1 instruments | 10,884 [4] | 10,282 | 7,484 | 6 | 10,884 | 10,282 | 7,484 | 6 |
| Additional tier 1 instruments subject to phase-out [5] | 2,345 | 2,138 | 3,652 | 10 | – | – | – | – |
| Deductions from additional tier 1 capital | (6,889) [6] | (6,336) | (8,064) | 9 | – | – | – | – |
| **Additional tier 1 capital** | **6,340** | **6,084** | **3,072** | 4 | **10,884** | **10,282** | **7,484** | 6 |
| **Total tier 1 capital** | **48,176** | **45,537** | **46,061** | 6 | **38,805** | **36,701** | **33,964** | 6 |
| Tier 2 instruments | 6,735 [7] | 6,409 | 6,263 | 5 | 6,735 | 6,409 | 6,263 | 5 |
| Tier 2 instruments subject to phase-out | 4,150 | 3,944 | 4,321 | 5 | – | – | – | – |
| Deductions from tier 2 capital | (248) | (253) | (357) | (2) | – | (1) | (18) | 100 |
| **Tier 2 capital** | **10,637** | **10,100** | **10,227** | 5 | **6,735** | **6,408** | **6,245** | 5 |
| **Total eligible capital** | **58,813** | **55,637** | **56,288** | 6 | **45,540** | **43,109** | **40,209** | 6 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 194,293 | 187,967 | 175,631 | 3 | 187,734 | 181,715 | 167,888 | 3 |
| Market risk | 33,655 | 32,704 | 39,133 | 3 | 33,655 | 32,704 | 39,133 | 3 |
| Operational risk | 59,050 | 59,050 | 53,075 | 0 | 59,050 | 59,050 | 53,075 | 0 |
| Non-counterparty risk | 5,881 | 5,700 | 6,007 | 3 | 5,881 | 5,700 | 6,007 | 3 |
| **Risk-weighted assets** | **292,879** | **285,421** | **273,846** | 3 | **286,320** | **279,169** | **266,103** | 3 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 14.3 | 13.8 | 15.7 | – | 9.8 | 9.5 | 10.0 | – |
| Tier 1 ratio | 16.4 | 16.0 | 16.8 | – | 13.6 | 13.1 | 12.8 | – |
| Total capital ratio | 20.1 | 19.5 | 20.6 | – | 15.9 | 15.4 | 15.1 | – |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
[4] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.0 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.9 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 80% of goodwill and other intangible assets (CHF 6.9 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[7] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## CET1 capital movement – Basel III

| | **3Q14** | 2Q14 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **39,453** | **40,903** |
| Net income/(loss) | 1,025 | (700) |
| Foreign exchange impact | 1,499 | 44 |
| Other [1] | (141) | (794) |
| **Balance at end of period** | **41,836** | **39,453** |

[1] Reflects the net effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

## Risk-weighted assets by division – Basel III

| | | | end of | % change |
|---|---|---|---|---|
| | **3Q14** | 2Q14 | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | | |
| Private Banking & Wealth Management | 106,726 | 103,537 | 95,507 | 3 |
| Investment Banking | 163,356 | 160,199 | 155,290 | 2 |
| Corporate Center | 22,797 | 21,685 | 23,049 | 5 |
| **Risk-weighted assets** | **292,879** | **285,421** | **273,846** | 3 |

## Risk-weighted asset movement by risk type – Basel III

| | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **3Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **174,057** | **13,910** | **32,704** | **59,050** | **5,700** | **285,421** |
| Foreign exchange impact | 8,547 | 484 | 1,424 | 0 | 0 | 10,455 |
| Acquisitions and disposals | (143) | 0 | 0 | 0 | 0 | (143) |
| Movements in risk levels | (704) | 521 | (557) | 0 | 181 | (559) |
| Model and parameter updates [1] | 297 | (461) | (465) | 0 | 0 | (629) |
| Methodology and policy – internal [2] | (1,145) | (1,070) | 549 | 0 | 0 | (1,666) |
| **Balance at end of period** | **180,909** | **13,384** | **33,655** | **59,050** | **5,881** | **292,879** |

[1] Represents movements arising from updates to models and recalibrations of parameters.
[2] Represents internal changes impacting how exposures are treated.

## Swiss statistics – Basel III – Group

| | | | | **Phase-in** | | | | **Look-through** |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | % change QoQ | **3Q14** | 2Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 41,836 | 39,453 | 42,989 | 6 | 27,921 | 26,419 | 26,480 | 6 |
| Swiss regulatory adjustments [1] | (126) | (161) | 1,658 | (22) | (135) | (175) | 1,824 | (23) |
| **Swiss CET1 capital** [2] | **41,710** | **39,292** | **44,647** | 6 | **27,786** | **26,244** | **28,304** | 6 |
| High-trigger capital instruments | 8,654 [3] | 8,259 | 7,743 | 5 | 8,654 | 8,259 | 7,743 | 5 |
| Low-trigger capital instruments | 8,965 [4] | 8,432 | 6,005 | 6 | 8,965 | 8,432 | 6,005 | 6 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,495 | 6,082 | – | 7 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (7,137) | (6,589) | – | 8 | – | (1) | – | 100 |
| **Swiss total eligible capital** [2] | **58,687** | **55,476** | **58,395** | 6 | **45,405** | **42,934** | **42,052** | 6 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 292,879 | 285,421 | 273,846 | 3 | 286,320 | 279,169 | 266,103 | 3 |
| Swiss regulatory adjustments [6] | 950 | 787 | 1,015 | 21 | 949 | 786 | 1,031 | 21 |
| **Swiss risk-weighted assets** | **293,829** | **286,208** | **274,861** | 3 | **287,269** | **279,955** | **267,134** | 3 |
| **Swiss capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 14.2 | 13.7 | 16.2 | – | 9.7 | 9.4 | 10.6 | – |
| Swiss total capital ratio | 20.0 | 19.4 | 21.2 | – | 15.8 | 15.3 | 15.7 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
[2] Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
[3] Consists of CHF 6.0 billion additional tier 1 instruments and CHF 2.6 billion tier 2 instruments.
[4] Consists of CHF 4.9 billion additional tier 1 instruments and CHF 4.1 billion tier 2 instruments.
[5] Reflects the FINMA Decree, which was effective in 1Q14.
[6] Primarily includes differences in the credit risk multiplier.

## Swiss leverage ratio – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **3Q14** | 2Q14 | 4Q13 | % change QoQ | **3Q14** | 2Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | | | |
| **Swiss total eligible capital** | **58,687** | **55,476** | **58,395** | 6 | **45,405** | **42,934** | **42,052** | 6 |
| **Exposure (CHF million)** [1] | | | | | | | | |
| Balance sheet assets | 923,155 | 888,069 | 890,242 | 4 | 923,155 | 888,069 | 890,242 | 4 |
| Off-balance sheet exposures | 152,617 | 144,668 | 133,426 | 5 | 152,617 | 144,668 | 133,426 | 5 |
| Regulatory adjustments | 128,977 | 126,479 | 130,150 | 2 | 114,868 | 112,592 | 113,596 | 2 |
| **Total average exposure** | **1,204,749** | **1,159,216** | **1,153,818** | 4 | **1,190,640** | **1,145,329** | **1,137,264** | 4 |
| **Swiss leverage ratio (%)** | | | | | | | | |
| Swiss leverage ratio | **4.9** | **4.8** | **5.1** | – | **3.8** | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **3Q14 (CHF million)** | | | | | | | | |
| Average | 12 | 32 | 10 | 1 | 18 | (30) | 43 | 31 |
| Minimum | 10 | 29 | 6 | 1 | 14 | – [1] | 38 | 24 |
| Maximum | 15 | 35 | 15 | 2 | 23 | – [1] | 56 | 37 |
| End of period | 11 | 35 | 11 | 1 | 18 | (34) | 42 | 31 |
| **2Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 30 | 8 | 2 | 16 | (29) | 40 | 30 |
| Minimum | 11 | 28 | 5 | 1 | 13 | – [1] | 35 | 25 |
| Maximum | 16 | 33 | 12 | 3 | 22 | – [1] | 46 | 36 |
| End of period | 12 | 32 | 7 | 2 | 20 | (27) | 46 | 31 |
| **3Q13 (CHF million)** | | | | | | | | |
| Average | 14 | 34 | 9 | 2 | 14 | (32) | 41 | 36 |
| Minimum | 11 | 31 | 3 | 1 | 11 | – [1] | 33 | 27 |
| Maximum | 19 | 39 | 17 | 4 | 20 | – [1] | 48 | 52 |
| End of period | 11 | 34 | 6 | 2 | 14 | (32) | 35 | 28 |

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

## Consolidated statements of operations

| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,520 | 5,690 | 4,441 | 14,655 | 15,483 |
| Interest expense | (2,376) | (3,104) | (2,519) | (7,747) | (9,115) |
| Net interest income | 2,144 | 2,586 | 1,922 | 6,908 | 6,368 |
| Commissions and fees | 3,254 | 3,309 | 3,015 | 9,838 | 9,801 |
| Trading revenues | 904 | 197 | 272 | 1,739 | 2,444 |
| Other revenues | 276 | 371 | 467 | 1,385 | 1,104 |
| **Net revenues** | **6,578** | **6,463** | **5,676** | **19,870** | **19,717** |
| **Provision for credit losses** | **59** | **18** | **41** | **111** | **114** |
| Compensation and benefits | 2,747 | 2,973 | 2,532 | 8,713 | 8,449 |
| General and administrative expenses | 2,041 | 3,441 | 1,771 | 7,172 | 5,376 |
| Commission expenses | 393 | 377 | 422 | 1,139 | 1,349 |
| Total other operating expenses | 2,434 | 3,818 | 2,193 | 8,311 | 6,725 |
| **Total operating expenses** | **5,181** | **6,791** | **4,725** | **17,024** | **15,174** |
| **Income/(loss) from continuing operations before taxes** | **1,338** | **(346)** | **910** | **2,735** | **4,429** |
| Income tax expense | 366 | 307 | 368 | 1,216 | 1,339 |
| **Income/(loss) from continuing operations** | **972** | **(653)** | **542** | **1,519** | **3,090** |
| Income/(loss) from discontinued operations, net of tax | 106 | (9) | 150 | 112 | 147 |
| **Net income/(loss)** | **1,078** | **(662)** | **692** | **1,631** | **3,237** |
| Net income attributable to noncontrolling interests | 53 | 38 | 238 | 447 | 435 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **1,184** | **2,802** |
| of which from continuing operations | 919 | (691) | 304 | 1,072 | 2,655 |
| of which from discontinued operations | 106 | (9) | 150 | 112 | 147 |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.48 |
| Basic earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.09 |
| **Basic earnings/(loss) per share** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.57** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.47 |
| Diluted earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.08 |
| **Diluted earnings/(loss) per share** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.55** |

## Consolidated balance sheets

| end of | **3Q14** | 2Q14 | 4Q13 | 3Q13 |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Cash and due from banks | 78,119 | 66,469 | 68,692 | 69,600 |
| Interest-bearing deposits with banks | 1,211 | 1,749 | 1,515 | 1,664 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 187,261 | 165,744 | 160,022 | 161,876 |
| Securities received as collateral, at fair value | 22,246 | 21,611 | 22,800 | 24,640 |
| Trading assets, at fair value | 245,829 | 235,427 | 229,413 | 244,422 |
| Investment securities | 2,484 | 3,323 | 2,987 | 2,768 |
| Other investments | 8,275 | 7,709 | 10,329 | 11,082 |
| Net loans | 265,243 | 254,532 | 247,054 | 245,232 |
| Premises and equipment | 4,875 | 4,811 | 5,091 | 5,287 |
| Goodwill | 8,435 | 7,983 | 7,999 | 8,114 |
| Other intangible assets | 251 | 245 | 210 | 210 |
| Brokerage receivables | 61,519 | 56,309 | 52,045 | 56,699 |
| Other assets | 68,614 | 64,689 | 63,065 | 63,529 |
| Assets of discontinued operations held-for-sale | 0 | 979 | 1,584 | 46 |
| **Total assets** | **954,362** | **891,580** | **872,806** | **895,169** |
| **Liabilities and equity (CHF million)** | | | | |
| Due to banks | 30,548 | 26,701 | 23,108 | 27,481 |
| Customer deposits | 363,220 | 346,296 | 333,089 | 328,244 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 89,905 | 88,066 | 94,032 | 94,193 |
| Obligation to return securities received as collateral, at fair value | 22,246 | 21,611 | 22,800 | 24,640 |
| Trading liabilities, at fair value | 77,902 | 75,129 | 76,635 | 92,350 |
| Short-term borrowings | 32,310 | 29,426 | 20,193 | 20,094 |
| Long-term debt | 163,676 | 143,827 | 130,042 | 128,821 |
| Brokerage payables | 76,708 | 68,842 | 73,154 | 78,445 |
| Other liabilities | 52,896 | 48,913 | 51,447 | 51,884 |
| Liabilities of discontinued operations held-for-sale | 0 | 742 | 1,140 | 6 |
| **Total liabilities** | **909,411** | **849,553** | **825,640** | **846,158** |
| Common shares | 64 | 64 | 64 | 64 |
| Additional paid-in capital | 26,851 | 26,655 | 27,853 | 27,503 |
| Retained earnings | 31,417 | 30,392 | 30,261 | 30,859 |
| Treasury shares, at cost | (163) | (190) | (139) | (85) |
| Accumulated other comprehensive income/(loss) | (14,305) | (15,977) | (15,875) | (16,179) |
| **Total shareholders' equity** | **43,864** | **40,944** | **42,164** | **42,162** |
| Noncontrolling interests | 1,087 | 1,083 | 5,002 | 6,849 |
| **Total equity** | **44,951** | **42,027** | **47,166** | **49,011** |
| **Total liabilities and equity** | **954,362** | **891,580** | **872,806** | **895,169** |

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **3Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (129) | (129) |
| Net income/(loss) | – | – | 1,025 | – | – | 1,025 | 53 | 1,078 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 1,672 | 1,672 | 78 | 1,750 |
| Sale of treasury shares | – | (5) | – | 3,121 | – | 3,116 | – | 3,116 |
| Repurchase of treasury shares | – | – | – | (3,114) | – | (3,114) | – | (3,114) |
| Share-based compensation, net of tax | – | 303 [3] | – | 20 | – | 323 | – | 323 |
| Financial instruments indexed to own shares [4] | – | (102) | – | – | – | (102) | – | (102) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 2 | 2 |
| **Balance at end of period** | **64** | **26,851** | **31,417** | **(163)** | **(14,305)** | **43,864** | **1,087** | **44,951** |
| **9M14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (2,067) | (1,829) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 35 | 35 |
| Net income/(loss) | – | – | 1,184 | – | – | 1,184 | 447 | 1,631 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 1,570 | 1,570 | 56 | 1,626 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (8) | – | 7,157 | – | 7,149 | – | 7,149 |
| Repurchase of treasury shares | – | – | – | (7,906) | – | (7,906) | – | (7,906) |
| Share-based compensation, net of tax | – | (444) [5] | – | 725 | – | 281 | – | 281 |
| Financial instruments indexed to own shares [4] | – | 91 | – | – | – | 91 | – | 91 |
| Dividends paid | – | (1,177) [6] | (28) | – | – | (1,205) | (22) | (1,227) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,364) | (2,364) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **26,851** | **31,417** | **(163)** | **(14,305)** | **43,864** | **1,087** | **44,951** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax charge of CHF (36) million from the excess recognized compensation expense over fair value of shares delivered.
4 The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5 Includes a net tax charge of CHF (75) million from the excess recognized compensation expense over fair value of shares delivered.
6 Paid out of reserves from capital contributions.

## Earnings per share

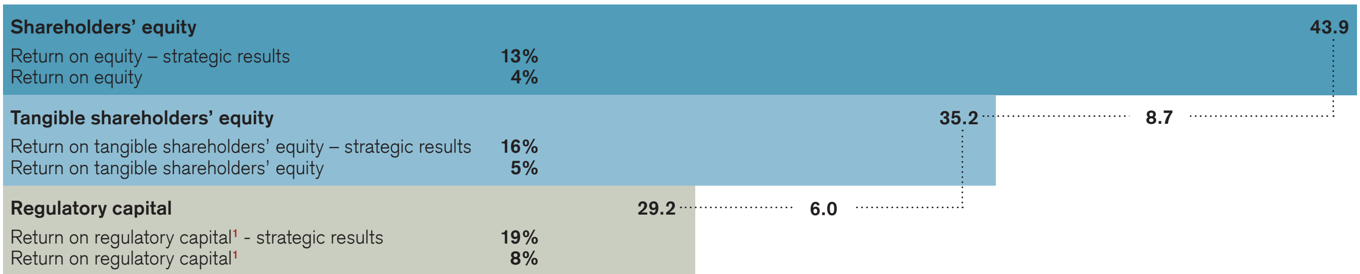
| in | 3Q14 | 2Q14 | 3Q13 | 9M14 | 9M13 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **919** | **(691)** | **304** | **1,072** | **2,655** |
| Income/(loss) from discontinued operations, net of tax | 106 | (9) | 150 | 112 | 147 |
| **Net income/(loss) attributable to shareholders** | **1,025** | **(700)** | **454** | **1,184** | **2,802** |
| Preferred securities dividends | – | – | – | (28) | (114) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,688** |
| Available for common shares | 985 | (752) | 421 | 1,104 | 2,368 |
| Available for unvested share-based payment awards | 40 | 52 | 33 | 52 | 197 |
| Available for mandatory convertible securities [1] | – | – | – | – | 123 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,688** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | – | – | 17 |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **1,025** | **(700)** | **454** | **1,156** | **2,705** |
| Available for common shares | 986 | (752) | 421 | 1,104 | 2,388 |
| Available for unvested share-based payment awards | 39 | 52 | 33 | 52 | 195 |
| Available for mandatory convertible securities [1] | – | – | – | – | 122 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,608.7** | **1,625.0** | **1,600.0** | **1,618.3** | **1,509.8** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 0.0 | – | 23.3 |
| Dilutive share options and warrants | 0.9 | 0.0 | 1.7 | 0.8 | 1.9 |
| Dilutive share awards | 18.2 | 0.0 | 1.3 | 7.8 | 1.5 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,627.8** | **1,625.0 [5]** | **1,603.0** | **1,626.9** | **1,536.5** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **64.9** | **68.3** | **125.6** | **76.2** | **126.1** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **–** | **–** | **84.0** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.48 |
| Basic earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.09 |
| **Basic earnings/(loss) per share available for common shares** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.57** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.55 | (0.45) | 0.17 | 0.61 | 1.47 |
| Diluted earnings/(loss) per share from discontinued operations | 0.06 | (0.01) | 0.09 | 0.07 | 0.08 |
| **Diluted earnings/(loss) per share available for common shares** | **0.61** | **(0.46)** | **0.26** | **0.68** | **1.55** |

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.
[2] Reflects changes in the fair value of the PAF2 units which were reflected in the net results of the Group until the awards were finally settled. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.
[3] Reflects weighted-average shares outstanding on PAF2 units. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.
[4] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 8.7 million, 8.8 million, 33.7 million, 8.8 million and 12.3 million for 3Q14, 2Q14, 3Q13, 9M14 and 9M13, respectively.
[5] Due to the net loss in 2Q14, 1.3 million weighted-average share options and warrants outstanding and 12.2 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

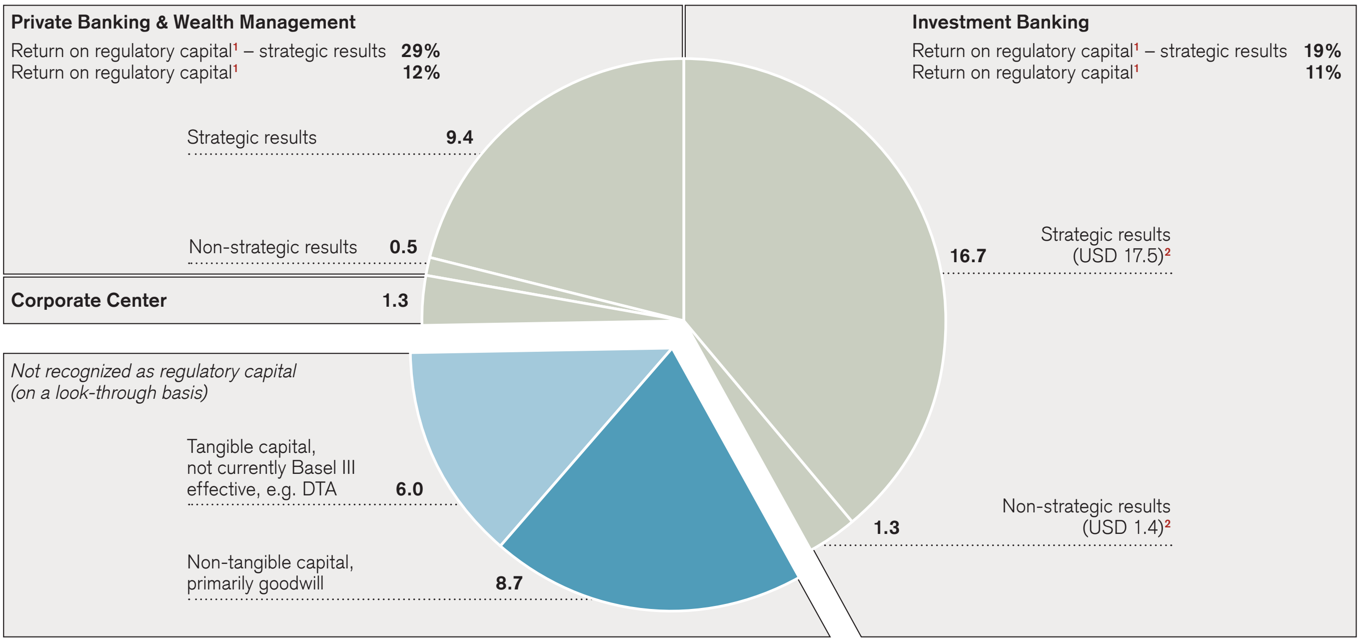
## Relationship between total shareholders’ equity, tangible shareholders’ equity and regulatory capital

Credit Suisse measures firm-wide returns against total shareholders’ equity and tangible shareholders’ equity. In addition, it also measures the efficiency of the firm and its divisions with regards to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the average of 10% of risk-weighted assets and 2.4% of the leverage exposure utilized by each division and the firm as a whole. These percentages are used in the calculation in order to reflect the 2019 fully phased in Swiss regulatory minimum requirements for Basel III CET1 capital and leverage ratio.

End of 3Q14 / in 9M14 (CHF billion, except where indicated)




### Regulatory capital allocation




[1] Calculated using income after tax, assumes tax rate of 30% and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] For Investment Banking, capital allocation and return calculation are based on US dollar denominated numbers.

**Cautionary statement regarding forward-looking information**

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of continuing deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalizations or confiscations in countries where we conduct operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries where we conduct operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk Factors" in I – Information on the company in our Annual Report 2013.

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

## Form 6-K

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

July 31, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Introduction

On July 31, 2014, the Credit Suisse Financial Report 2Q14 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibits hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be “filed” for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled “Dear shareholders”, “Investor information” and “Financial calendar and contacts”.

Credit Suisse Group AG and Credit Suisse AG file an annual report on Form 20-F and furnish or file quarterly reports, including unaudited interim financial information, and other reports on Form 6-K with the US Securities and Exchange Commission (SEC) pursuant to the requirements of the Securities Exchange Act of 1934, as amended. The SEC reports of Credit Suisse Group AG and Credit Suisse AG are available to the public over the internet at the SEC’s website at www.sec.gov and from the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). The SEC reports of Credit Suisse Group AG and Credit Suisse AG are also available under “Investor Relations” on Credit Suisse Group AG’s website at www.credit-suisse.com and at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005.

Unless the context otherwise requires, references herein to “Credit Suisse Group,” “Credit Suisse,” “the Group,” “we,” “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries and the term “the Bank” means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

SEC regulations require certain information to be included in registration statements relating to securities offerings. Such additional information for the Bank is included in this report on Form 6-K, which should be read together with the Group’s and the Bank’s annual report on Form 20-F for the year ended December 31, 2013 (Credit Suisse 2013 20-F), the Group’s financial report for the first quarter of 2014, furnished to or filed with the SEC on Form 6-K on May 2, 2014, and the Group’s financial report for the second quarter of 2014, furnished to or filed with the SEC as Exhibit 99.1 hereto.

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

References herein to “CHF” are to Swiss francs.

# Forward-looking statements

This Form 6-K and the information incorporated by reference in this Form 6-K include statements that constitute forward-looking statements. In addition, in the future the Group, the Bank and others on their behalf may make statements that constitute forward-looking statements.

When evaluating forward-looking statements, you should carefully consider the cautionary statement regarding forward-looking information, the risk factors and other information set forth in the Credit Suisse 2013 20-F, and subsequent annual reports on Form 20-F filed by the Group and the Bank with the SEC and the Group’s and the Bank’s reports on Form 6-K furnished to or filed with the SEC, and other uncertainties and events.

# Key information

## Condensed consolidated financial statements

The Bank's condensed consolidated financial statements – unaudited as of and for the six months ended June 30, 2014 and 2013 are attached as Exhibit 99.2 to this Form 6-K.

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

The discussion of the Group's Core Results for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 is included in the Group's Form 6-K filed with the SEC on July 31, 2014 and incorporated herein by reference. For further information on the differences between the Group and the Bank, refer to *Note 30 – Subsidiary guarantee information in III – Condensed consolidated financial statements – unaudited in the Group's financial report for the second quarter of 2014 (Credit Suisse Financial Report 2Q14)*.

# Exhibits

| No. | Description |
| --- | --- |
| 12.1 | Ratio of earnings to fixed charges |
| 23.1 | Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm |
| 99.1 | Credit Suisse Financial Report 2Q14 |
| 99.2 | Credit Suisse (Bank) Financial Statements 6M14 |
| 101.1 | Interactive data files (XBRL-related documents) – Credit Suisse AG |

# Signatures

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

**CREDIT SUISSE AG**

(Registrant)

Date: July 31, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

# Ratio of earnings to fixed charges

## Ratio of earnings to fixed charges – Bank

| in | **6M14** | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | | |
| Income from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | 1,109 | 3,670 | 1,982 | 2,511 | 6,526 | 7,800 |
| Income/(loss) from equity method investments | (106) | (240) | (146) | (134) | (148) | (31) |
| **Pre-tax earnings from continuing operations** | **1,003** | **3,430** | **1,836** | **2,377** | **6,378** | **7,769** |
| Fixed charges: | | | | | | |
| Interest expense | 5,301 | 11,306 | 14,734 | 16,404 | 18,783 | 18,118 |
| Interest portion of rentals [1] | 304 | 632 | 629 | 580 | 578 | 565 |
| Preferred dividend requirements | 28 | 236 | 231 | 216 | 162 | 131 |
| **Total fixed charges** | **5,633** | **12,174** | **15,594** | **17,200** | **19,523** | **18,814** |
| **Pre-tax earnings before fixed charges** | **6,636** | **15,604** | **17,430** | **19,577** | **25,901** | **26,583** |
| Noncontrolling interests | 184 | 860 | (600) | 901 | 802 | (697) |
| **Earnings before fixed charges and provision for income taxes** | **6,452** | **14,744** | **18,030** | **18,676** | **25,099** | **27,280** |
| **Ratio of earnings to fixed charges** | **1.15** | **1.21** | **1.16** | **1.09** | **1.29** | **1.45** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Letter regarding unaudited financial information from the Independent Registered Public Accounting Firm

Credit Suisse AG
Zurich, Switzerland

**Re: Registration Statement No. 333-180300**

With respect to the subject registration statement, we acknowledge our awareness of the incorporation by reference therein of our report dated July 31, 2014 related to our review of interim financial information of Credit Suisse AG as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

KPMG AG

| | |
|---|---|
| Simon Ryder | Anthony Anzevino |
| *Licensed Audit Expert* | *Global Lead Partner* |

Zurich, Switzerland
July 31, 2014

# Financial Report
# 2Q14

## Key metrics

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | (700) | 859 | 1,045 | – | – | 159 | 2,348 | (93) |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | 153 | 2,351 | (93) |
| Basic earnings/(loss) per share from continuing operations (CHF) | (0.45) | 0.47 | 0.55 | – | – | 0.05 | 1.31 | (96) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | (0.45) | 0.47 | 0.53 | – | – | 0.05 | 1.28 | (96) |
| Return on equity attributable to shareholders (%) | (6.7) | 8.0 | 10.1 | – | – | 0.8 | 12.0 | – |
| Effective tax rate (%) | (88.7) | 31.2 | 28.7 | – | – | 60.8 | 27.6 | – |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,433 | 6,469 | 6,830 | (1) | (6) | 12,902 | 13,848 | (7) |
| Provision for credit losses | 18 | 34 | 51 | (47) | (65) | 52 | 73 | (29) |
| Total operating expenses | 6,785 | 5,035 | 5,239 | 35 | 30 | 11,820 | 10,430 | 13 |
| Income/(loss) from continuing operations before taxes | (370) | 1,400 | 1,540 | – | – | 1,030 | 3,345 | (69) |
| Cost/income ratio (%) | 105.5 | 77.8 | 76.7 | – | – | 91.6 | 75.3 | – |
| Pre-tax income margin (%) | (5.8) | 21.6 | 22.5 | – | – | 8.0 | 24.2 | – |
| **Strategic results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,324 | 6,553 | 6,795 | (3) | (7) | 12,877 | 13,813 | (7) |
| Income from continuing operations before taxes | 1,767 | 1,940 | 2,087 | (9) | (15) | 3,707 | 4,294 | (14) |
| Cost/income ratio (%) | 71.7 | 70.1 | 68.9 | – | – | 70.9 | 68.6 | – |
| Return on equity – strategic results (%) | 12.9 | 13.9 | 15.0 | – | – | 13.4 | 16.7 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| Net revenues | 109 | (84) | 35 | – | 211 | 25 | 35 | (29) |
| Loss from continuing operations before taxes | (2,137) | (540) | (547) | 296 | 291 | (2,677) | (949) | 182 |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,319.6 | 1,281.1 | 1,245.4 | 3.0 | 6.0 | 1,319.6 | 1,245.4 | 6.0 |
| Net new assets from continuing operations | 10.7 | 14.7 | 8.7 | (27.2) | 23.0 | 25.4 | 23.1 | 10.0 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 891,580 | 878,090 | 919,903 | 2 | (3) | 891,580 | 919,903 | (3) |
| Net loans | 254,532 | 250,659 | 246,186 | 2 | 3 | 254,532 | 246,186 | 3 |
| Total shareholders' equity | 40,944 | 43,230 | 42,402 | (5) | (3) | 40,944 | 42,402 | (3) |
| Tangible shareholders' equity | 32,716 | 35,046 | 33,611 | (7) | (3) | 32,716 | 33,611 | (3) |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 285,421 | 285,996 | – | 0 | – | 285,421 | – | – |
| CET1 ratio (%) | 13.8 | 14.3 | – | – | – | 13.8 | – | – |
| Look-through CET1 ratio (%) | 9.5 | 10.0 | – | – | – | 9.5 | – | – |
| Swiss leverage ratio (%) | 4.8 | 4.8 | – | – | – | 4.8 | – | – |
| Look-through Swiss leverage ratio (%) | 3.7 | 3.7 | – | – | – | 3.7 | – | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 1,600.0 | 1,587.2 | 1,592.0 | 1 | 1 | 1,600.0 | 1,592.0 | 1 |
| of which common shares issued | 1,607.2 | 1,596.1 | 1,594.3 | 1 | 1 | 1,607.2 | 1,594.3 | 1 |
| of which treasury shares | (7.2) | (8.9) | (2.3) | (19) | 213 | (7.2) | (2.3) | 213 |
| Book value per share (CHF) | 25.59 | 27.24 | 26.63 | (6) | (4) | 25.59 | 26.63 | (4) |
| Tangible book value per share (CHF) | 20.45 | 22.08 | 21.11 | (7) | (3) | 20.45 | 21.11 | (3) |
| Market capitalization (CHF million) | 40,758 | 45,633 | 39,937 | (11) | 2 | 40,758 | 39,937 | 2 |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

See relevant tables for additional information on these metrics.

Urs Rohner, Chairman of the Board of Directors (left) and Brady W. Dougan, Chief Executive Officer.

## DEAR SHAREHOLDERS

The second quarter of 2014 was a period of substantial progress for Credit Suisse. In addition to resolving our most significant and longstanding legacy litigation issue, we saw continued strong momentum with clients and made progress in winding down our non-strategic portfolio. We maintained a resilient capital base and leverage ratio despite the impact of the settlement of the US cross-border matter. And we remain on track to reach our cost reduction targets.

Our reported results for both the second quarter and the first half of 2014 were impacted by the final settlement regarding all outstanding US cross-border matters. Driven by the previously announced CHF 1.6 billion litigation settlement charge, we reported a net loss attributable to shareholders of CHF 700 million for the quarter and net income of CHF 159 million for the first half of 2014.

As many of you are aware, we introduced the concept of "strategic results" last year to reflect management responsibilities following the set-up of non-strategic units. This reporting structure also serves to give you a more accurate picture of the performance of our key businesses, excluding the impact of businesses we have chosen to exit and other non-strategic positions and items. The results of these non-strategic units are disclosed each quarter as our "non-strategic results". We think it is helpful for our investors to know how our business performs when excluding the drag from the non-strategic units.

In the second quarter, our strategic businesses reported net income of CHF 1,282 million and a return on equity of 13%. These solid strategic results demonstrate the resilience of our business model, despite subdued client trading activity in certain areas which impacted both Private Banking & Wealth Management and Investment Banking.

**Progress in our two divisions**

In Private Banking & Wealth Management, reported results were substantially impacted by the settlement litigation charge. Our strategic businesses in Private Banking & Wealth Management generated pre-tax income of CHF 882 million and a continued high return on capital of 28%.

We further improved the efficiency of our strategic businesses with operating expenses down 8% compared to last year's second quarter. These lower expenses helped us to mitigate the impact on our margins of higher levels of assets under management, a change in client mix, subdued transaction activity and the continued low interest rate environment. We were able to sustain our net margin in Wealth Management Clients at 28 basis points, while our gross margin decreased by 5 basis points during the second quarter to 99 basis points.

We saw strong net new assets of CHF 11.8 billion in the quarter from our strategic businesses, driven by growth in Asia Pacific and Switzerland. We achieved an annualized net new asset growth rate of 4% in our strategic businesses, despite CHF 2.9 billion of outflows from our Western European cross-border business. Including the non-strategic portion, these outflows totaled CHF 4.1 billion. The outflows were driven by our proactive measures to regularize our asset base in Western Europe. We consider this regularization process to be necessary in the context of the secular transformation of the global cross-border banking industry. We also made further progress with our lending initiatives for ultra-high-net-worth clients during the second quarter, particularly in Asia Pacific.

In Investment Banking, we delivered solid results in the second quarter, reflecting strong origination activity, continued momentum in our yield franchises and improved capital efficiency. We generated pre-tax income of CHF 1,034 million for our strategic businesses and a return on capital of 18%, demonstrating the stability of our strategic franchise. The strong results of our underwriting businesses and fixed income yield franchises were partly offset by less favorable trading conditions in equities and continued weakness in global macro products.

We have further increased the capital efficiency of Investment Banking since last quarter and expect the restructuring of the macro business to drive further capital, leverage and expense reductions. As part of this restructuring, we are announcing our exit from the commodities trading business in order to reallocate resources to more profitable businesses.

**Progress in executing strategy to support cash returns to shareholders**

In the first half of the year, we continued to optimize resource allocation in order to grow our high-returning businesses, particularly in Private Banking & Wealth Management. At the same time, we made progress in winding down positions in our non-strategic units and in resolving legacy litigation matters.

We are ahead of schedule in winding down positions and losses in our non-strategic units. We have reduced risk-weighted assets by USD 6 billion and our leverage exposure by USD 3 billion in the Investment Banking non-strategic unit during the quarter.

The settlement of all outstanding US cross-border matters, along with the Federal Housing Finance Agency (FHFA) settlement in March, brought to a close the most significant outstanding litigation matters for Credit Suisse. We want to reiterate that we deeply regret the past misconduct that led to the settlement with the US authorities and that we take full responsibility for it. The continued trust and support of our clients helped us to mitigate the impact of these settlements on our businesses. We would like to thank all of our employees for their contribution as we worked to resolve these issues and for their continuous outreach to clients. It is because of their professionalism that our clients continue to regard Credit Suisse as their partner.

We are executing the capital measures we announced in May, which are expected to fully mitigate the impact of the US cross-border settlement on our capital position. As of the end of the second quarter, our look-through CET1 ratio stood at 9.5%, compared to 9.3% at the end of the first quarter, had the settlement charge been applied at that time. We remain on track to improve our Look-through CET1 ratio to above 10% by the end of this year. This includes the continued accrual of cash dividends for 2014. Once we reach 10% and as we continue to accrete capital toward our 11% long-term target, we intend to return approximately half our earnings to shareholders through annual distributions.

We would like to thank you, our shareholders and clients, for the trust you have placed in Credit Suisse.

Sincerely

Urs Rohner    Brady W. Dougan

July 2014

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 2Q14 Results Presentation Slides.

Refer to "Results overview" in II – Operating and financial review – Core Results in our Annual Report 2013 for further information on Core Results.

# Financial Report 2Q14



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

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

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

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

# Credit Suisse at a glance

**Credit Suisse**

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients, to ultra-high-net-worth and high-net worth individuals worldwide, as well as affluent and retail clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 45,100 employees from approximately 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

**Private Banking & Wealth Management**

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Our Wealth Management Clients business serves ultra-high-net-worth and high-net-worth individuals around the globe, as well as affluent and retail clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

**Investment Banking**

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

# I

# Credit Suisse results

# Operating environment

Global economic activity improved in 2Q14. Major equity markets increased during the quarter and volatility decreased to low levels. Long-dated government benchmark bond yields decreased. The performance of the US dollar against most major currencies was mixed in 2Q14.

## ECONOMIC ENVIRONMENT

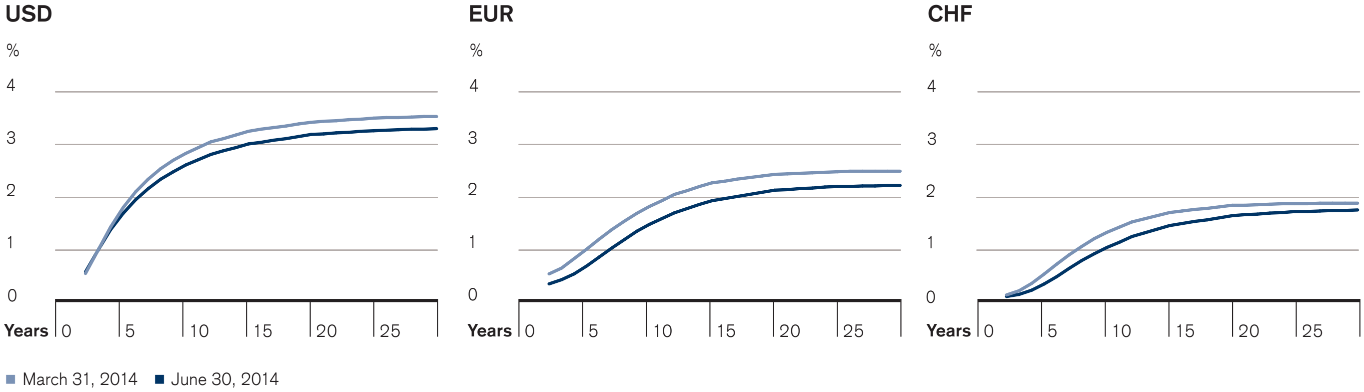
Economic developments in 2Q14 were mainly characterized by the recovery in the US and China following signs of softening at the beginning of the year. Leading indicators in the US improved continuously throughout the quarter, signaling that gross domestic product (GDP) growth was likely to show a rebound as well. Labor and housing market data also indicated that the economy's underlying growth trend was robust. Inflation rates rose slightly, but nominal wage growth remained below the long-term average. Despite a significant slowdown in Chinese private real estate investment, the economy appears to have stabilized due to targeted stimulus measures taken by the government. Japan's economy showed a significant deceleration in retail sales and industrial production following a consumption tax increase in April, but subsequent data releases indicated that a recovery was already under way towards the end of 2Q14 and that the economy was returning to a growth path. Eurozone data remained in line with a very gradual recovery, although a renewed decline in French business sentiment emerged.

The European Central Bank (ECB) announced a range of new policy initiatives in June, including cuts in policy rates and new liquidity measures for banks. The ECB signaled that the policy rates would most likely remain unchanged until the end of 2016. At its meeting in June, the US Federal Reserve (Fed) reduced its monthly asset purchases to USD 35 billion effective as of July 2014. The Bank of England (BoE) indicated that a first policy rate increase as early as 4Q14 was possible. Among emerging markets, central banks in Turkey and Mexico lowered their policy rates.

Major equity markets increased in 2Q14 amid improved economic momentum and higher risk appetite. Among developed markets, Japan rebounded after a decrease in the previous quarter, driven by fund flows, stable leading indicators (after the consumption tax increase) and reform expectations. The US equity market increase was mainly due to a quarter on quarter (QoQ) improvement in macroeconomic data. Emerging markets outperformed developed markets, benefiting from macro data stabilization in China and reform expectations in certain countries, including India. The energy sector led the quarter due to the surge in oil prices, reflecting geopolitical tensions in Iraq. Equity markets overall traded with lower volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), for most of the quarter. Furthermore, risk appetite, as measured by the Credit Suisse equity risk appetite index, increased through the quarter. The Credit Suisse Hedge Fund Index increased 1.9% in 2Q14.

### Yield curves

Yield curves decreased for most currencies, particularly long-dated yields.



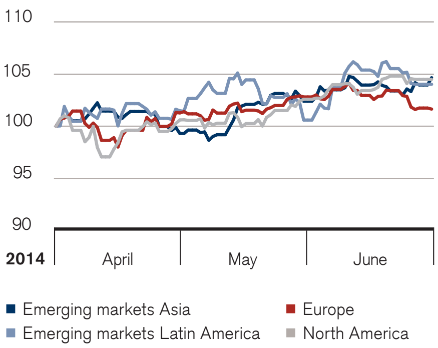

**Source:** Datastream, Credit Suisse

## Equity markets

Equity markets benefited from improved economic momentum and higher risk appetite. Bank stocks underperformed. Volatility decreased to low levels.

**Performance region**

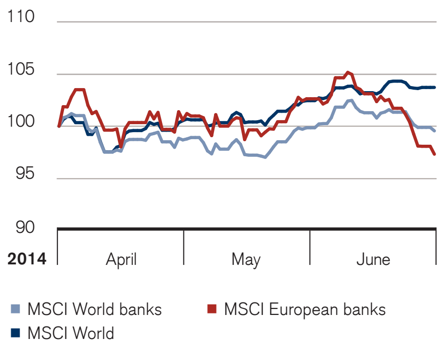
Index (March 31, 2014 = 100)




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

**Performance world banks**

Index (March 31, 2014 = 100)




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

**Volatility**

%


**Source:** Datastream, Credit Suisse

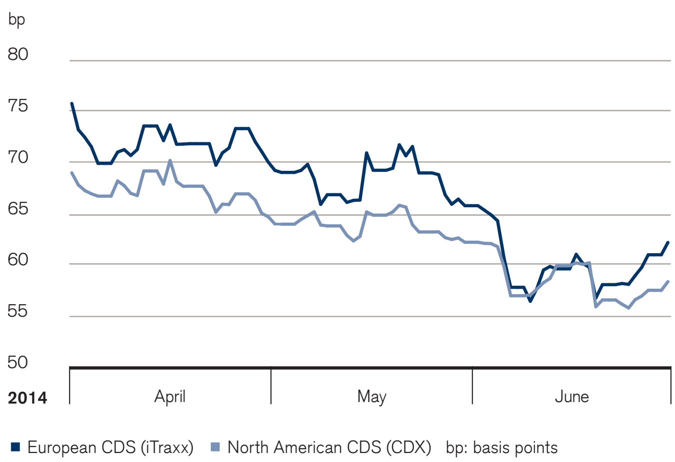
Growth concerns and continued indications from most major central banks to maintain low policy rates helped major government bonds to post a positive performance in 2Q14, especially for long-dated maturities. While the approaching potential policy rate rise by the BoE led to an increase in short-dated UK Gilt yields, 2-year yields remained broadly stable in the US and decreased in the eurozone, with the ECB engaging in further easing measures (refer to the charts "Yield curves"). Credit markets posted a solid performance in 2Q14. After a mixed performance in 1Q14, emerging market hard currency bonds were one of the best performing fixed income asset classes, benefiting from lower US Treasury yields and a significant spread tightening (refer to the chart "Credit spreads").

The performance of the US dollar against most major currencies was mixed in 2Q14. The euro depreciated against the US dollar in May as the ECB announced its easing measures. However, the US dollar pared some of its gains in June on a further downward growth revision of 1Q14 GDP and a cautious economic outlook from the Fed. The British pound appreciated as the BoE indicated that it may increase interest rates as economic improvement continues. The Japanese yen strengthened slightly against the US dollar as the Japanese economy weathered the impact of the consumption tax increase in April fairly well.

Following firm gains in 1Q14, broad-based commodity indices rose further in 2Q14. Energy markets emerged as major return contributors while the agriculture segment retraced 1Q14 gains, as weather-related supply concerns proved less severe than feared. Intensified geopolitical turmoil in the Middle East drove oil prices higher. Low yields and elevated geopolitical concerns helped gold increase slightly.

## Credit spreads

Credit spreads tightened in 2Q14.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 2Q14 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | (6) | 7 | (4) | 13 |
| Announced mergers and acquisitions [2] | 54 | 72 | 68 | 67 |
| Completed mergers and acquisitions [2] | (23) | (19) | 8 | (37) |
| Equity underwriting [2] | 42 | 45 | 98 | 131 |
| Debt underwriting [2] | 19 | 18 | 23 | 42 |
| Syndicated lending – investment grade [2] | 46 | 34 | – | – |

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ.
[2] Dealogic.

### SECTOR ENVIRONMENT

Banks underperformed the market in 2Q14 with a strong relative selloff towards the end of the quarter. European bank stocks fell 2.7% in 2Q14, underperforming the MSCI World Index by 6.4% (refer to the charts 'Equity Markets'). North American bank stocks increased slightly.

In private banking, clients maintained a cautious investment stance, with cash deposits remaining high despite further falling interest rates. The low interest rate environment continued to adversely impact earnings.

The Swiss National Bank (SNB) reiterated concerns about the build-up of imbalances in mortgage and real estate markets in Switzerland. The Swiss Bankers Association announced further self-regulatory measures, including faster amortization requirements for mortgages, and the government announced its intention to review policies allowing for pension system withdrawals for the funding of real estate. Overall the wealth management sector continued to adapt to further industry-specific regulatory changes.

For investment banking, global equity trading volumes decreased compared to 1Q14 but increased compared to 2Q13. Global announced mergers and acquisitions (M&A) volumes increased significantly compared to 1Q14 and 2Q13. Global completed M&A volumes decreased significantly compared to both 1Q14 and 2Q13. Global equity underwriting volumes were significantly higher compared to 1Q14 and 2Q13, mainly driven by Europe. Global debt underwriting volumes increased compared to both 1Q14 and 2Q13. US fixed income volumes were stable compared to 1Q14. Compared to 2Q13, US fixed income volumes decreased with particularly weaker mortgage-backed volumes, and with lower treasuries, corporates and federal agency volumes.

# Credit Suisse

In 2Q14, we recorded a net loss attributable to shareholders of CHF 700 million. Diluted earnings per share from continuing operations were CHF (0.45) and return on equity attributable to shareholders was (6.7)%.

As of the end of 2Q14, our Basel III CET1 ratio was 13.8% and 9.5% on a look-through basis. Our risk-weighted assets were stable at CHF 285.4 billion compared to 1Q14.

## Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,463** | **6,829** | **6,952** | (5) | (7) | **13,292** | **14,041** | (5) |
| **Provision for credit losses** | **18** | **34** | **51** | (47) | (65) | **52** | **73** | (29) |
| Compensation and benefits | 2,973 | 2,993 | 2,926 | (1) | 2 | 5,966 | 5,917 | 1 |
| General and administrative expenses | 3,441 | 1,690 | 1,873 | 104 | 84 | 5,131 | 3,605 | 42 |
| Commission expenses | 377 | 369 | 457 | 2 | (18) | 746 | 927 | (20) |
| Total other operating expenses | 3,818 | 2,059 | 2,330 | 85 | 64 | 5,877 | 4,532 | 30 |
| **Total operating expenses** | **6,791** | **5,052** | **5,256** | 34 | 29 | **11,843** | **10,449** | 13 |
| **Income/(loss) from continuing operations before taxes** | **(346)** | **1,743** | **1,645** | – | – | **1,397** | **3,519** | (60) |
| Income tax expense | 307 | 543 | 472 | (43) | (35) | 850 | 971 | (12) |
| **Income/(loss) from continuing operations** | **(653)** | **1,200** | **1,173** | – | – | **547** | **2,548** | (79) |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Net income/(loss)** | **(662)** | **1,215** | **1,164** | – | – | **553** | **2,545** | (78) |
| Net income attributable to noncontrolling interests | 38 | 356 | 119 | (89) | (68) | 394 | 197 | 100 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | – | – | **159** | **2,348** | (93) |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | 153 | 2,351 | (93) |
| of which from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | – | – | 0.05 | 1.31 | (96) |
| Basic earnings/(loss) per share | (0.46) | 0.48 | 0.54 | – | – | 0.05 | 1.31 | (96) |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | – | – | 0.05 | 1.28 | (96) |
| Diluted earnings/(loss) per share | (0.46) | 0.48 | 0.52 | – | – | 0.05 | 1.28 | (96) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | (6.7) | 8.0 | 10.1 | – | – | 0.8 | 12.0 | – |
| Return on tangible equity attributable to shareholders [1] | (8.3) | 10.0 | 12.8 | – | – | 0.9 | 15.5 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

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

## Credit Suisse and Core Results

| | Core Results | | | Noncontrolling interests without SEI | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,433** | **6,469** | **6,830** | **30** | **360** | **122** | **6,463** | **6,829** | **6,952** |
| **Provision for credit losses** | **18** | **34** | **51** | **0** | **0** | **0** | **18** | **34** | **51** |
| Compensation and benefits | 2,969 | 2,977 | 2,914 | 4 | 16 | 12 | 2,973 | 2,993 | 2,926 |
| General and administrative expenses | 3,439 | 1,689 | 1,868 | 2 | 1 | 5 | 3,441 | 1,690 | 1,873 |
| Commission expenses | 377 | 369 | 457 | 0 | 0 | 0 | 377 | 369 | 457 |
| Total other operating expenses | 3,816 | 2,058 | 2,325 | 2 | 1 | 5 | 3,818 | 2,059 | 2,330 |
| **Total operating expenses** | **6,785** | **5,035** | **5,239** | **6** | **17** | **17** | **6,791** | **5,052** | **5,256** |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | **24** | **343** | **105** | **(346)** | **1,743** | **1,645** |
| Income tax expense | 307 | 543 | 472 | 0 | 0 | 0 | 307 | 543 | 472 |
| **Income/(loss) from continuing operations** | **(677)** | **857** | **1,068** | **24** | **343** | **105** | **(653)** | **1,200** | **1,173** |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | 0 | 0 | 0 | (9) | 15 | (9) |
| **Net income/(loss)** | **(686)** | **872** | **1,059** | **24** | **343** | **105** | **(662)** | **1,215** | **1,164** |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 24 | 343 | 105 | 38 | 356 | 119 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **–** | **–** | **–** | **(700)** | **859** | **1,045** |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | – | (691) | 844 | 1,054 |
| of which from discontinued operations | (9) | 15 | (9) | – | – | – | (9) | 15 | (9) |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 105.5 | 77.8 | 76.7 | – | – | – | 105.1 | 74.0 | 75.6 |
| Pre-tax income margin | (5.8) | 21.6 | 22.5 | – | – | – | (5.4) | 25.5 | 23.7 |
| Effective tax rate | (83.0) | 38.8 | 30.6 | – | – | – | (88.7) | 31.2 | 28.7 |
| Net income margin [1] | (10.9) | 13.3 | 15.3 | – | – | – | (10.8) | 12.6 | 15.0 |

[1] Based on amounts attributable to shareholders.

### INFORMATION AND DEVELOPMENTS

#### Format of presentation

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

As of January 1, 2013, the Basel Committee on Banking Supervision (BCBS) Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report.

References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons.

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

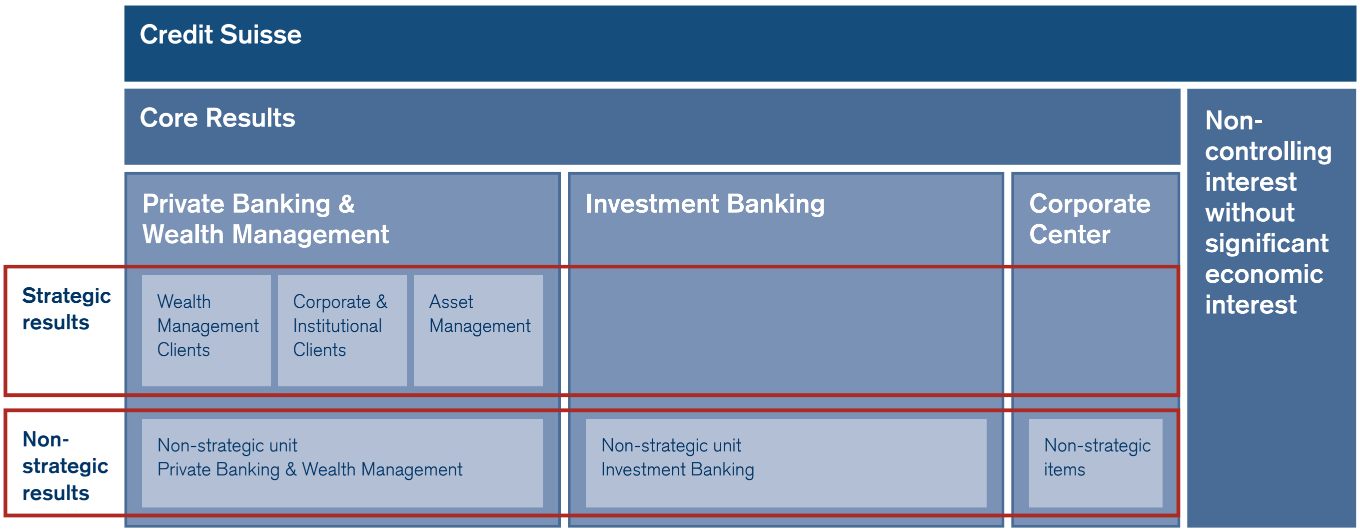
Beginning in 2Q14, the majority of the balance sheet usage related to a portfolio of high-quality liquid assets previously recorded in the Corporate Center has been allocated to the business divisions. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

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

#### Discontinued operations

The Private Banking & Wealth Management division completed the sale of our Customized Fund Investment Group (CFIG) business in January 2014, and in 4Q13 announced the sale of our domestic private banking business booked in Germany to ABN AMRO, which is expected to close in the course of 2014. These transactions qualify for discontinued operations treatment under US generally accepted accounting principles (US GAAP), and revenues and expenses of these businesses and the relevant gains on disposal are classified as discontinued operations in the Group's consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment's non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

### Board of Directors changes

At our Annual General Meeting (AGM) in May 2014, shareholders elected Severin Schwan and Sebastian Thrun as new members of the Board of Directors. Walter B. Kielholz and Peter Brabeck-Letmathe, having reached the internal term limits, retired from the Board of the Directors at the AGM 2014. The Chairman Urs Rohner and the other existing members of the Board of Directors proposed for re-election were all elected for a further term of one year.

### Capital distribution

At our AGM in May 2014, shareholders approved a distribution in cash against reserves from capital contributions of CHF 0.70 per registered share.

### Fair valuations

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 2Q14, 45% and 30% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets at fair value recorded as level 3 decreased by CHF 0.4 billion during 2Q14, primarily due to a decrease in loans held-for-sale and loans. The decrease in loans held-for-sale primarily reflected net settlements and transfers out of level 3 loans held-for-sale, partially offset by realized and unrealized gains. The decrease in loans primarily reflected net sales.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 30.2 billion, compared to CHF 30.0 billion as of the end of 1Q14. As of the end of 2Q14, these assets comprised 3% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 8%, respectively, as of the end of 1Q14.

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

**Regulatory developments and proposals**

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

On 30 April 2014, the Swiss Federal Council approved an encompassing revision of the Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance). The revision includes the implementation of the new Swiss accounting legislation of the Swiss Code of Obligations, in force since January 1, 2013, for Swiss banks as well as new regulations regarding unclaimed assets. The revision will enter into force on January 1, 2015, but certain regulations, such as the individual valuation of participations, are subject to transitional provisions until full implementation on January 1, 2020. On June 6, 2014, the Swiss Financial Market Supervisory Authority FINMA (FINMA) published Circular 2015/1 "Accounting – Banks" which, in conjunction with the revised Banking Ordinance, contains the new accounting guidelines and reporting duties for Swiss financial groups and conglomerates, banks and securities dealers, including us. Circular 2015/1 will enter into effect on January 1, 2015.

On May 6, 2014, Switzerland, along with other 46 countries and the European Union, endorsed the Declaration on Automatic Exchange of Information in Tax Matters at the Ministerial Council Meeting of the Organization for Economic Co-operation and Development (OECD). The Declaration commits countries to implement a new single global standard on automatic exchange of information. The standard, which was developed at the OECD and endorsed by G20 finance ministers in February 2014, obliges countries and jurisdictions to obtain all financial information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis. As a consequence of Switzerland's endorsement, on May 21, 2014, the Swiss Federal Council proposed negotiation mandates to introduce the new global standard with partner states, including switching to Model 1 under the Foreign Account Tax Compliance Act (FATCA), which would provide for the automatic exchange of information with the US tax authority. It is expected that the negotiation mandates be approved by the Swiss Federal Council during the second half of 2014. The results of the negotiations and the proposed legislation would then need to be submitted to the Swiss Parliament.

On June 2, 2014, the agreement on cooperation to simplify the implementation of FATCA between Switzerland and the US entered into force. The corresponding implementing act entered into force on June 30, 2014. FATCA implementation in Switzerland is based on Model 2, which means that Swiss financial institutions disclose account details directly to the US tax authority with the consent of the US clients concerned, and that the US has to request data on recalcitrant clients through normal administrative assistance channels. The agreement is expected to reduce the administrative burden for Swiss financial institutions associated with the implementation of FATCA. FATCA requirements entered into force on July 1, 2014.

On June 4, 2014, the US Commodity Futures Trading Commission (CFTC) issued a no-action letter that extends from September 15, 2014 until December 31, 2014 the expiration date for relief from a staff advisory stating that CFTC "transaction-level" requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as Credit Suisse International (CSI) or Credit Suisse Securities Europe Limited (CSSEL), and another non- US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer.

On June 23, 2014, the Swiss Federal Council decided that the amendments to the Tax Administrative Assistance Act approved by the Swiss Parliament in March 2014 shall enter into force on August 1, 2014. The purpose of the amendments is to comply with international standards, and they relate to the deferred notification of parties concerned and the establishment of a special procedure for informing parties affected by a group request.

On June 25, 2014, the US Securities and Exchange Commission (SEC) adopted final rules addressing the cross-border application of the Dodd-Frank Act's "security-based swap dealer" and "major security-based swap participant" definitions. While the rules do not impose any affirmative compliance requirements, they include the "US person" definition and certain other key elements of the SEC's framework for when the Dodd-Frank Act's security-based swap reforms apply to non-US dealers, such as Credit Suisse. In many respects, the SEC's rules are similar to parallel guidance issued by the CFTC in July 2013. However, the SEC did not address the treatment of swaps between a non-US dealer and non-US counterparty that involve US personnel, an issue of particular importance to Credit Suisse. As a result, the overall impact of the SEC's security-based swap reforms on Credit Suisse continues to depend on future SEC rulemakings. In addition, based on statements by SEC officials in connection with the adoption of these rules, we now expect the SEC's implementation of the derivatives provisions of the Dodd-Frank Act to continue throughout 2014 and into 2015.

On June 27, 2014, the Swiss Federal Council published the draft Federal Financial Services Act (FFSA) and draft Financial Institutions Act (FinIA) for consultation. The FFSA governs the prerequisites for providing financial services, including the resolution of disputes related thereto, and for offering financial instruments. The draft FinIA provides for a differentiated supervisory regime for financial institutions. The consultation period runs until October 17, 2014.

▸ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2013 for further information

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

# Core Results

In 2Q14, we recorded a net loss attributable to shareholders of CHF 700 million. Net revenues were CHF 6,433 million and total operating expenses were CHF 6,785 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 1,767 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 2,137 million in 2Q14.

## Core Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 2,590 | 2,183 | 2,638 | 19 | (2) | 4,773 | 4,439 | 8 |
| Commissions and fees | 3,311 | 3,276 | 3,544 | 1 | (7) | 6,587 | 6,798 | (3) |
| Trading revenues | 186 | 630 | 383 | (70) | (51) | 816 | 2,190 | (63) |
| Other revenues | 346 | 380 | 265 | (9) | 31 | 726 | 421 | 72 |
| **Net revenues** | **6,433** | **6,469** | **6,830** | (1) | (6) | **12,902** | **13,848** | (7) |
| of which strategic results | 6,324 | 6,553 | 6,795 | (3) | (7) | 12,877 | 13,813 | (7) |
| of which non-strategic results | 109 | (84) | 35 | – | 211 | 25 | 35 | (29) |
| **Provision for credit losses** | **18** | **34** | **51** | (47) | (65) | **52** | **73** | (29) |
| Compensation and benefits | 2,969 | 2,977 | 2,914 | 0 | 2 | 5,946 | 5,904 | 1 |
| General and administrative expenses | 3,439 | 1,689 | 1,868 | 104 | 84 | 5,128 | 3,599 | 42 |
| Commission expenses | 377 | 369 | 457 | 2 | (18) | 746 | 927 | (20) |
| Total other operating expenses | 3,816 | 2,058 | 2,325 | 85 | 64 | 5,874 | 4,526 | 30 |
| **Total operating expenses** | **6,785** | **5,035** | **5,239** | 35 | 30 | **11,820** | **10,430** | 13 |
| of which strategic results | 4,532 | 4,595 | 4,685 | (1) | (3) | 9,127 | 9,480 | (4) |
| of which non-strategic results | 2,253 | 440 | 554 | 412 | 307 | 2,693 | 950 | 183 |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | – | – | **1,030** | **3,345** | (69) |
| of which strategic results | 1,767 | 1,940 | 2,087 | (9) | (15) | 3,707 | 4,294 | (14) |
| of which non-strategic results | (2,137) | (540) | (547) | 296 | 291 | (2,677) | (949) | 182 |
| Income tax expense | 307 | 543 | 472 | (43) | (35) | 850 | 971 | (12) |
| **Income/(loss) from continuing operations** | **(677)** | **857** | **1,068** | – | – | **180** | **2,374** | (92) |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Net income/(loss)** | **(686)** | **872** | **1,059** | – | – | **186** | **2,371** | (92) |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 8 | 0 | 27 | 23 | 17 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | – | – | **159** | **2,348** | (93) |
| of which strategic results | 1,282 | 1,398 | 1,455 | (8) | (12) | 2,680 | 3,034 | (12) |
| of which non-strategic results | (1,982) | (539) | (410) | 268 | 383 | (2,521) | (686) | 267 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | – | 14.4 | 14.6 | – | – | 5.3 | 16.5 | – |
| Cost/income ratio | 105.5 | 77.8 | 76.7 | – | – | 91.6 | 75.3 | – |
| Pre-tax income margin | (5.8) | 21.6 | 22.5 | – | – | 8.0 | 24.2 | – |
| Effective tax rate | (83.0) | 38.8 | 30.6 | – | – | 82.5 | 29.0 | – |
| Net income margin [2] | (10.9) | 13.3 | 15.3 | – | – | 1.2 | 17.0 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity – strategic results | 12.9 | 13.9 | 15.0 | – | – | 13.4 | 16.7 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Based on amounts attributable to shareholders.

## Strategic and non-strategic results

| in / end of | Strategic results 2Q14 | 1Q14 | 2Q13 | Non-strategic results 2Q14 | 1Q14 | 2Q13 | Core Results 2Q14 | 1Q14 | 2Q13 |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,324** | **6,553** | **6,795** | **109** | **(84)** | **35** | **6,433** | **6,469** | **6,830** |
| **Provision for credit losses** | **25** | **18** | **23** | **(7)** | **16** | **28** | **18** | **34** | **51** |
| Compensation and benefits | 2,730 | 2,797 | 2,729 | 239 | 180 | 185 | 2,969 | 2,977 | 2,914 |
| Total other operating expenses | 1,802 | 1,798 | 1,956 | 2,014 | 260 | 369 | 3,816 | 2,058 | 2,325 |
| **Total operating expenses** | **4,532** | **4,595** | **4,685** | **2,253** | **440** | **554** | **6,785** | **5,035** | **5,239** |
| **Income/(loss) from continuing operations before taxes** | **1,767** | **1,940** | **2,087** | **(2,137)** | **(540)** | **(547)** | **(370)** | **1,400** | **1,540** |
| Income tax expense/(benefit) | 471 | 529 | 618 | (164) | 14 | (146) | 307 | 543 | 472 |
| **Income/(loss) from continuing operations** | **1,296** | **1,411** | **1,469** | **(1,973)** | **(554)** | **(401)** | **(677)** | **857** | **1,068** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | (9) | 15 | (9) | (9) | 15 | (9) |
| **Net income/(loss)** | **1,296** | **1,411** | **1,469** | **(1,982)** | **(539)** | **(410)** | **(686)** | **872** | **1,059** |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 0 | 0 | 0 | 14 | 13 | 14 |
| **Net income/(loss) attributable to shareholders** | **1,282** | **1,398** | **1,455** | **(1,982)** | **(539)** | **(410)** | **(700)** | **859** | **1,045** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 260,901 | 255,697 | 254,826 | 18,268 | 23,997 | 26,517 | 279,169 | 279,694 | 281,343 |
| Total assets | 850,815 | 835,281 | 863,110 | 39,464 | 41,518 | 52,526 | 890,279 | 876,799 | 915,636 |
| Swiss leverage exposure | 1,075,558 | 1,054,487 | 1,146,478 | 80,476 | 85,130 | 111,975 | 1,156,034 | 1,139,617 | 1,258,453 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### RESULTS OVERVIEW

**Core Results net revenues** of CHF 6,433 million decreased 6% compared to 2Q13.

In our strategic businesses, net revenues of CHF 6,324 million decreased 7% compared to 2Q13, with a decrease in Private Banking & Wealth Management and Investment Banking. The decrease in Private Banking & Wealth Management primarily reflected lower transaction- and performance-based revenues and decreased net interest income. The decrease in Investment Banking was driven by less favorable trading conditions in equity sales and trading businesses and continued weakness in global macro products, particularly in foreign exchange and commodities.

In our non-strategic businesses, we reported net revenues of CHF 109 million in 2Q14, compared to net revenues of CHF 35 million in 2Q13, with an increase in Investment Banking, partially offset by a decrease in Private Banking & Wealth Management. Improved results in Investment Banking reflected net valuation gains in our portfolio and lower funding costs from proactive management of both our legacy debt instruments and trading assets. The decrease in Private Banking & Wealth Management primarily reflected lower recurring commissions and fees due to the sale in prior quarters of businesses relating to the restructuring of the former Asset Management division.

▸ Refer to "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" for further information.

**Provision for credit losses** of CHF 18 million in 2Q14 reflected net provisions of CHF 23 million in Private Banking & Wealth Management and releases of CHF 5 million in Investment Banking.

**Total operating expenses** of CHF 6,785 million were up 30% compared to 2Q13, primarily reflecting 84% higher general and administrative expenses. In strategic businesses, total operating expenses of CHF 4,532 million decreased 3% compared to 2Q13, mainly reflecting an 18% decrease in commission expenses and a 5% decrease in general and administrative expenses. In non-strategic businesses, total operating expenses of CHF 2,253 million increased 307% compared to 2Q13, reflecting the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters recognized in the non-strategic results of the Private Banking & Wealth Management division.

**Income tax expense** of CHF 307 million recorded in 2Q14 reflected the impact of the geographical mix of results, the recognition of additional Swiss deferred tax assets relating to timing differences following certain changes in Swiss GAAP and the re-assessment of UK deferred tax assets resulting in a reduction of deferred tax assets on net operating losses. Overall, net deferred tax assets decreased CHF 122 million to CHF 5,134 million as of the end of 2Q14 compared to 1Q14. Deferred tax assets on net operating losses decreased CHF 678 million to CHF 758 million during 2Q14. The Core Results effective tax rate was (83.0)% in 2Q14, compared to 38.8% in 1Q14. The effective tax rate reflects that the majority of the litigation settlement charge was non-deductible. Excluding this impact, the Core Results effective tax rate for 2Q14 would have been 26.2%.

▸ Refer to "Note 21 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,324** | **6,553** | **6,795** | (3) | (7) | **12,877** | **13,813** | (7) |
| **Provision for credit losses** | **25** | **18** | **23** | 39 | 9 | **43** | **39** | 10 |
| Compensation and benefits | 2,730 | 2,797 | 2,729 | (2) | 0 | 5,527 | 5,531 | 0 |
| General and administrative expenses | 1,436 | 1,436 | 1,511 | 0 | (5) | 2,872 | 3,051 | (6) |
| Commission expenses | 366 | 362 | 445 | 1 | (18) | 728 | 898 | (19) |
| Total other operating expenses | 1,802 | 1,798 | 1,956 | 0 | (8) | 3,600 | 3,949 | (9) |
| **Total operating expenses** | **4,532** | **4,595** | **4,685** | (1) | (3) | **9,127** | **9,480** | (4) |
| **Income from continuing operations before taxes** | **1,767** | **1,940** | **2,087** | (9) | (15) | **3,707** | **4,294** | (14) |
| Income tax expense | 471 | 529 | 618 | (11) | (24) | 1,000 | 1,237 | (19) |
| **Net income** | **1,296** | **1,411** | **1,469** | (8) | (12) | **2,707** | **3,057** | (11) |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 8 | 0 | 27 | 23 | 17 |
| **Net income attributable to shareholders** | **1,282** | **1,398** | **1,455** | (8) | (12) | **2,680** | **3,034** | (12) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 19.2 | 21.7 | 21.7 | – | – | 20.5 | 23.3 | – |
| Cost/income ratio | 71.7 | 70.1 | 68.9 | – | – | 70.9 | 68.6 | – |
| Pre-tax income margin | 27.9 | 29.6 | 30.7 | – | – | 28.8 | 31.1 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [2] | 260,901 | 255,697 | 254,826 | 2 | 2 | 260,901 | 254,826 | 2 |
| Total assets | 850,815 | 835,281 | 863,110 | 2 | (1) | 850,815 | 863,110 | (1) |
| Swiss leverage exposure | 1,075,558 | 1,054,487 | 1,146,478 | 2 | (6) | 1,075,558 | 1,146,478 | (6) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Significant litigation matter in 2Q14

In May 2014, we entered into a comprehensive and final settlement regarding all outstanding US cross-border matters, including agreements with the US Department of Justice (DOJ), the New York State Department of Financial Services, the Board of Governors of the US Federal Reserve System and, as previously announced, the SEC. The final settlement amount was USD 2,815 million (CHF 2,510 million). In prior quarters, we had taken litigation provisions totaling CHF 892 million related to this matter. As a result, a pre-tax litigation settlement charge of CHF 1,618 million was recognized in 2Q14 in the non-strategic results of the Private Banking & Wealth Management division. The settlement included a guilty plea entered into by our Swiss banking entity, Credit Suisse AG.

▸ Refer to "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited for further information.

## Core Results reporting by region

| | | | in | | % change | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Switzerland | 1,669 | 1,712 | 1,863 | (3) | (10) | 3,381 | 3,650 | (7) |
| EMEA | 1,540 | 1,473 | 1,706 | 5 | (10) | 3,013 | 3,652 | (17) |
| Americas | 2,458 | 2,624 | 2,431 | (6) | 1 | 5,082 | 4,981 | 2 |
| Asia Pacific | 721 | 847 | 819 | (15) | (12) | 1,568 | 1,759 | (11) |
| Corporate Center | 45 | (187) | 11 | – | 309 | (142) | (194) | (27) |
| **Net revenues** | **6,433** | **6,469** | **6,830** | (1) | (6) | **12,902** | **13,848** | (7) |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | | | | |
| Switzerland | 565 | 606 | 695 | (7) | (19) | 1,171 | 1,256 | (7) |
| EMEA | 228 | 111 | 178 | 105 | 28 | 339 | 777 | (56) |
| Americas | (951) | 848 | 573 | – | – | (103) | 1,242 | – |
| Asia Pacific | 161 | 274 | 225 | (41) | (28) | 435 | 577 | (25) |
| Corporate Center | (373) | (439) | (131) | (15) | 185 | (812) | (507) | 60 |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | – | – | **1,030** | **3,345** | (69) |

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **109** | **(84)** | **35** | – | 211 | **25** | **35** | (29) |
| **Provision for credit losses** | **(7)** | **16** | **28** | – | – | **9** | **34** | (74) |
| Compensation and benefits | 239 | 180 | 185 | 33 | 29 | 419 | 373 | 12 |
| Total other operating expenses | 2,014 | 260 | 369 | – | 446 | 2,274 | 577 | 294 |
| **Total operating expenses** | **2,253** | **440** | **554** | 412 | 307 | **2,693** | **950** | 183 |
| **Loss from continuing operations before taxes** | **(2,137)** | **(540)** | **(547)** | 296 | 291 | **(2,677)** | **(949)** | 182 |
| Income tax expense/(benefit) | (164) | 14 | (146) | – | 12 | (150) | (266) | (44) |
| **Loss from continuing operations** | **(1,973)** | **(554)** | **(401)** | 256 | 392 | **(2,527)** | **(683)** | 270 |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Net loss** | **(1,982)** | **(539)** | **(410)** | 268 | 383 | **(2,521)** | **(686)** | 267 |
| Net income attributable to noncontrolling interests | 0 | 0 | 0 | – | – | 0 | 0 | – |
| **Loss attributable to shareholders** | **(1,982)** | **(539)** | **(410)** | 268 | 383 | **(2,521)** | **(686)** | 267 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 18,268 | 23,997 | 26,517 | (24) | (31) | 18,268 | 26,517 | (31) |
| Total assets | 39,464 | 41,518 | 52,526 | (5) | (25) | 39,464 | 52,526 | (25) |
| Swiss leverage exposure | 80,476 | 85,130 | 111,975 | (5) | (28) | 80,476 | 111,975 | (28) |

[1] Represents risk-weighted assets on a fully phased-in “look-through” basis.

### Key performance indicators

Our key performance indicators (KPIs) for the Group and for our Private Banking & Wealth Management and Investment Banking divisions reflect our strategic plan, the regulatory environment and the market cycle. Our stated KPIs are measured on the basis of reported results.

We believe the execution of our strategic initiatives including the run-off of non-strategic operations, will enable us achieve our targets over a three to five year period across market cycles.

▸ Refer to "Key performance indicators" in Private Banking & Wealth Management and Investment Banking results for further information on divisional KPIs.

### Collaboration revenues

Collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction. Within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand.

▸ Refer to "Key performance indicators" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information on key performance indicators including collaboration revenues.

## Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. As such, year to date results may be more meaningful than individual quarterly results. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

| in / end of | **Target** | **2Q14** | **6M14** | 2013 | 2012 |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Collaboration revenues | 18 – 20% of net revenues | 15.4 | 15.6 | 17.7 | 18.6 |
| **Efficiency and performance (%)** | | | | | |
| Total shareholder return (Credit Suisse) [1] | Superior return vs. peer group | (8.9) | (4.5) | 26.0 | 4.8 |
| Total shareholder return of peer group [1, 2] | – | (4.7) | (7.5) | 34.3 | 52.8 |
| Return on equity attributable to shareholders (annualized) | Above 15% | (6.7) | 0.8 | 5.7 | 3.9 |
| Core Results cost/income ratio | Below 70% | 105.5 | 91.6 | 85.4 | 91.1 |
| **Capital (%)** | | | | | |
| Look-through CET1 ratio [3] | 11% | 9.5 | 9.5 | 10.0 | – |

1 Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the period.
2 The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.
3 Updated in 1Q14 from a previous target of a Look-through Swiss Core Capital ratio above 10%.

### Personnel

Headcount at the end of 2Q14 was 45,100, down 500 from 1Q14 and down 1,200 from 2Q13. The decrease in 2Q14 reflected headcount reductions in Private Banking & Wealth Management and Investment Banking resulting from our cost efficiency initiatives, partly offset by contractor employee conversion and graduate hiring.

## Number of employees by division

| end of | **2Q14** | 1Q14 | 2Q13 |
|---|---|---|---|
| **Number of employees by division (full-time equivalents)** | | | |
| Private Banking & Wealth Management | 25,800 | 26,100 | 26,500 |
| Investment Banking | 19,000 | 19,200 | 19,500 |
| Corporate Center | 300 | 300 | 300 |
| **Number of employees** | **45,100** | **45,600** | **46,300** |

## Overview of Core Results

| in / end of period | Private Banking & Wealth Management 2Q14 | 1Q14 | 2Q13 | Investment Banking 2Q14 | 1Q14 | 2Q13 |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **3,046** | **3,240** | **3,419** | **3,342** | **3,416** | **3,400** |
| **Provision for credit losses** | **23** | **33** | **46** | **(5)** | **0** | **4** |
| Compensation and benefits | 1,235 | 1,290 | 1,353 | 1,499 | 1,521 | 1,466 |
| General and administrative expenses | 2,367 | 736 | 893 | 889 | 856 | 934 |
| Commission expenses | 170 | 169 | 210 | 207 | 212 | 242 |
| Total other operating expenses | 2,537 | 905 | 1,103 | 1,096 | 1,068 | 1,176 |
| **Total operating expenses** | **3,772** | **2,195** | **2,456** | **2,595** | **2,589** | **2,642** |
| **Income/(loss) from continuing operations before taxes** | **(749)** | **1,012** | **917** | **752** | **827** | **754** |
| Income tax expense/(benefit) | – | – | – | – | – | – |
| **Income/(loss) from continuing operations** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income/(loss) from discontinued operations | – | – | – | – | – | – |
| **Net income/(loss)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Net income attributable to noncontrolling interests | – | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on capital [2] | – | 31.0 | 28.0 | 12.3 | 13.6 | 11.0 |
| Cost/income ratio | 123.8 | 67.7 | 71.8 | 77.6 | 75.8 | 77.7 |
| Pre-tax income margin | (24.6) | 31.2 | 26.8 | 22.5 | 24.2 | 22.2 |
| Effective tax rate | – | – | – | – | – | – |
| Net income margin | – | – | – | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III [3] | 103,537 | 101,083 | 98,837 | 160,199 | 162,712 | 166,187 |
| Total assets | 322,669 | 324,084 | 308,569 | 525,101 | 521,495 | 575,215 |
| Swiss leverage exposure | 356,738 | 355,614 | 345,266 | 756,621 | 751,819 | 868,667 |
| Net loans | 225,243 | 221,019 | 214,292 | 29,264 | 29,614 | 31,872 |
| Goodwill | 2,163 | 2,154 | 2,426 | 5,820 | 5,802 | 6,128 |

[1] Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI.
[2] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14 and 2Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[3] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized 6M11 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the expected future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the creation of the integrated Private Banking & Wealth Management division, exiting a number of small non-strategic markets, repositioning select non-profitable onshore operations, rationalization of front office and support functions, including simplification of our operating platform, streamlining of the offshore affluent and Swiss client coverage model and from announced divestitures. Within Investment Banking, we expect to deliver cost benefits from the restructuring of our rates business, the initiatives already completed in 2012, from continuing to review and realize efficiencies across business lines and geographic regions and from continuing to refine our business mix and align resources with highest returning opportunities. We expect to incur approximately CHF 0.9 billion of costs associated with these measures during the remainder of 2014 and 2015.

We incurred CHF 153 million of business realignment costs and CHF 81 million of IT architecture simplification expenses associated with these measures in 2Q14.

▸ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

| Corporate Center | | | **Core Results** [1] | | | of which strategic results | | | of which non-strategic results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| | | | | | | | | | | | |
| **45** | **(187)** | **11** | **6,433** | **6,469** | **6,830** | **6,324** | **6,553** | **6,795** | **109** | **(84)** | **35** |
| **0** | **1** | **1** | **18** | **34** | **51** | **25** | **18** | **23** | **(7)** | **16** | **28** |
| 235 | 166 | 95 | 2,969 | 2,977 | 2,914 | 2,730 | 2,797 | 2,729 | 239 | 180 | 185 |
| 183 | 97 | 41 | 3,439 | 1,689 | 1,868 | 1,436 | 1,436 | 1,511 | 2,003 | 253 | 357 |
| 0 | (12) | 5 | 377 | 369 | 457 | 366 | 362 | 445 | 11 | 7 | 12 |
| 183 | 85 | 46 | 3,816 | 2,058 | 2,325 | 1,802 | 1,798 | 1,956 | 2,014 | 260 | 369 |
| **418** | **251** | **141** | **6,785** | **5,035** | **5,239** | **4,532** | **4,595** | **4,685** | **2,253** | **440** | **554** |
| **(373)** | **(439)** | **(131)** | **(370)** | **1,400** | **1,540** | **1,767** | **1,940** | **2,087** | **(2,137)** | **(540)** | **(547)** |
| – | – | – | 307 | 543 | 472 | 471 | 529 | 618 | (164) | 14 | (146) |
| **–** | **–** | **–** | **(677)** | **857** | **1,068** | **1,296** | **1,411** | **1,469** | **(1,973)** | **(554)** | **(401)** |
| – | – | – | (9) | 15 | (9) | 0 | 0 | 0 | (9) | 15 | (9) |
| **–** | **–** | **–** | **(686)** | **872** | **1,059** | **1,296** | **1,411** | **1,469** | **(1,982)** | **(539)** | **(410)** |
| – | – | – | 14 | 13 | 14 | 14 | 13 | 14 | 0 | 0 | 0 |
| **–** | **–** | **–** | **(700)** | **859** | **1,045** | **1,282** | **1,398** | **1,455** | **(1,982)** | **(539)** | **(410)** |
| | | | | | | | | | | | |
| – | – | – | – | 14.4 | 14.6 | 19.2 | 21.7 | 21.7 | – | – | – |
| – | – | – | 105.5 | 77.8 | 76.7 | 71.7 | 70.1 | 68.9 | – | – | – |
| – | – | – | (5.8) | 21.6 | 22.5 | 27.9 | 29.6 | 30.7 | – | – | – |
| – | – | – | (83.0) | 38.8 | 30.6 | 26.7 | 27.3 | 29.6 | – | – | – |
| – | – | – | (10.9) | 13.3 | 15.3 | 20.3 | 21.3 | 21.4 | – | – | – |
| | | | | | | | | | | | |
| 15,433 | 15,899 | 16,319 | 279,169 | 279,694 | 281,343 | 260,901 | 255,697 | 254,826 | 18,268 | 23,997 | 26,517 |
| 42,509 | 31,220 | 31,852 | 890,279 | 876,799 | 915,636 | 850,815 | 835,281 | 863,110 | 39,464 | 41,518 | 52,526 |
| 42,675 | 32,184 | 44,520 | 1,156,034 | 1,139,617 | 1,258,453 | 1,075,558 | 1,054,487 | 1,146,478 | 80,476 | 85,130 | 111,975 |
| 25 | 26 | 22 | 254,532 | 250,659 | 246,186 | – | – | – | – | – | – |
| – | – | – | 7,983 | 7,956 | 8,554 | – | – | – | – | – | – |

### Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component.

The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

▸ Refer to "Compensation and benefits" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

# Private Banking & Wealth Management

In 2Q14, we reported a loss before taxes of CHF 749 million and net revenues of CHF 3,046 million.

In our strategic businesses, we reported income before taxes of CHF 882 million and net revenues of CHF 2,932 million. Net revenues were slightly lower compared to 1Q14 mainly due to lower transaction- and performance-based revenues and lower other revenues. Compared to 2Q13, income before taxes decreased 13%, mainly driven by lower transaction- and performance-based revenues and lower net interest income, partially offset by lower operating expenses.

In our non-strategic businesses, we reported a loss before taxes of CHF 1,631 million, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters.

In 2Q14, assets under management for the division were CHF 1,329.7 billion and we attracted net new assets of CHF 10.1 billion.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,046** | **3,240** | **3,419** | (6) | (11) | **6,286** | **6,697** | (6) |
| of which strategic results | 2,932 | 3,031 | 3,232 | (3) | (9) | 5,963 | 6,240 | (4) |
| of which non-strategic results | 114 | 209 | 187 | (45) | (39) | 323 | 457 | (29) |
| **Provision for credit losses** | **23** | **33** | **46** | (30) | (50) | **56** | **74** | (24) |
| Compensation and benefits | 1,235 | 1,290 | 1,353 | (4) | (9) | 2,525 | 2,732 | (8) |
| General and administrative expenses | 2,367 | 736 | 893 | 222 | 165 | 3,103 | 1,684 | 84 |
| Commission expenses | 170 | 169 | 210 | 1 | (19) | 339 | 409 | (17) |
| Total other operating expenses | 2,537 | 905 | 1,103 | 180 | 130 | 3,442 | 2,093 | 64 |
| **Total operating expenses** | **3,772** | **2,195** | **2,456** | 72 | 54 | **5,967** | **4,825** | 24 |
| of which strategic results | 2,020 | 2,049 | 2,198 | (1) | (8) | 4,069 | 4,427 | (8) |
| of which non-strategic results | 1,752 | 146 | 258 | – | – | 1,898 | 398 | 377 |
| **Income/(loss) before taxes** | **(749)** | **1,012** | **917** | – | – | **263** | **1,798** | (85) |
| of which strategic results | 882 | 965 | 1,015 | (9) | (13) | 1,847 | 1,771 | 4 |
| of which non-strategic results | (1,631) | 47 | (98) | – | – | (1,584) | 27 | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | – | 31.0 | 28.0 | – | – | 4.0 | 28.6 | – |
| Cost/income ratio | 123.8 | 67.7 | 71.8 | – | – | 94.9 | 72.0 | – |
| Pre-tax income margin | (24.6) | 31.2 | 26.8 | – | – | 4.2 | 26.8 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 9,280 | 9,354 | 9,856 | (1) | (6) | 9,306 | 9,840 | (5) |
| Pre-tax return on average utilized economic capital (%) [2] | (31.8) | 43.8 | 37.8 | – | – | 6.2 | 37.1 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,329.7 | 1,292.5 | 1,296.6 | 2.9 | 2.6 | 1,329.7 | 1,296.6 | 2.6 |
| Net new assets | 10.1 | 13.7 | 7.6 | (26.3) | 32.9 | 23.8 | 19.6 | 21.4 |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 25,800 | 26,100 | 26,500 | (1) | (3) | 25,800 | 26,500 | (3) |
| Number of relationship managers | 4,340 | 4,410 | 4,490 | (2) | (3) | 4,340 | 4,490 | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 28% in 6M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

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

## Divisional results (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 970 | 979 | 1,079 | (1) | (10) | 1,949 | 2,124 | (8) |
| Recurring commissions and fees | 1,184 | 1,189 | 1,270 | 0 | (7) | 2,373 | 2,489 | (5) |
| Transaction- and performance-based revenues | 885 | 937 | 1,064 | (6) | (17) | 1,822 | 1,983 | (8) |
| Other revenues [1] | 7 | 135 | 6 | (95) | 17 | 142 | 101 | 41 |
| **Net revenues** | **3,046** | **3,240** | **3,419** | (6) | (11) | **6,286** | **6,697** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 59 | 53 | 88 | 11 | (33) | 112 | 140 | (20) |
| Releases of provisions | (36) | (20) | (42) | 80 | (14) | (56) | (66) | (15) |
| **Provision for credit losses** | **23** | **33** | **46** | (30) | (50) | **56** | **74** | (24) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Net loans | 225,243 | 221,019 | 214,292 | 2 | 5 | 225,243 | 214,292 | 5 |
| of which Wealth Management Clients | 156,794 | 154,095 | 149,472 | 2 | 5 | 156,794 | 149,472 | 5 |
| of which Corporate & Institutional Clients | 65,020 | 63,521 | 60,876 | 2 | 7 | 65,020 | 60,876 | 7 |
| Deposits | 285,541 | 292,687 | 285,577 | (2) | 0 | 285,541 | 285,577 | 0 |
| of which Wealth Management Clients | 207,667 | 208,750 | 210,223 | (1) | (1) | 207,667 | 210,223 | (1) |
| of which Corporate & Institutional Clients | 72,554 | 78,339 | 68,464 | (7) | 6 | 72,554 | 68,464 | 6 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

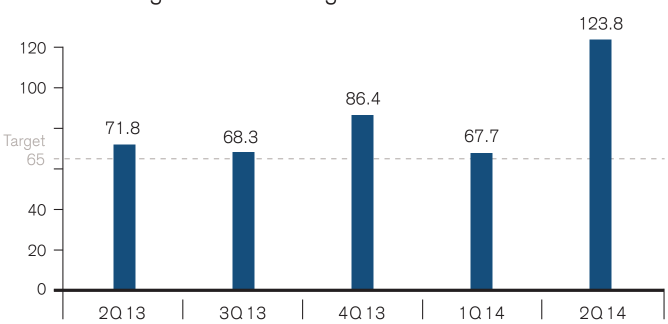
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 2Q14, the cost/income ratio was 123.8%, driven by the litigation settlement charge relating to the final settlement of all outstanding US cross-border matters. The cost/income ratio for our strategic results was 68.9% in 2Q14, up one percentage point compared to 2Q13 and 1Q14.

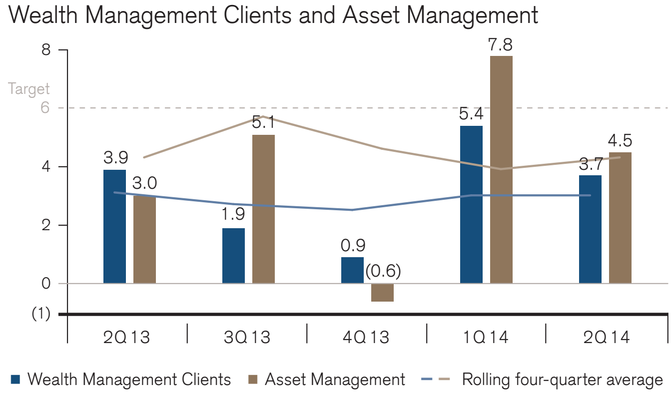
We also target net new assets growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 2Q14, the annualized quarterly growth rates in Wealth Management Clients and Asset Management were 3.7% and 4.5%, respectively.

▸ Refer to "Key performance indicators" in Core Results for further information.

**Cost/income ratio – KPI** (in %)
Private Banking & Wealth Management




**Net new assets growth rate – KPI** (annualized, in %)
Wealth Management Clients and Asset Management



## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Private Banking & Wealth Management | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,932** | **3,031** | **3,232** | **114** | **209** | **187** | **3,046** | **3,240** | **3,419** |
| **Provision for credit losses** | **30** | **17** | **19** | **(7)** | **16** | **27** | **23** | **33** | **46** |
| Compensation and benefits | 1,184 | 1,225 | 1,273 | 51 | 65 | 80 | 1,235 | 1,290 | 1,353 |
| Total other operating expenses | 836 | 824 | 925 | 1,701 | 81 | 178 | 2,537 | 905 | 1,103 |
| **Total operating expenses** | **2,020** | **2,049** | **2,198** | **1,752** | **146** | **258** | **3,772** | **2,195** | **2,456** |
| **Income/(loss) before taxes** | **882** | **965** | **1,015** | **(1,631)** | **47** | **(98)** | **(749)** | **1,012** | **917** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 96,805 | 93,522 | 91,479 | 6,732 | 7,561 | 7,358 | 103,537 | 101,083 | 98,837 |
| Total assets | 306,919 | 306,228 | 285,786 | 15,750 | 17,856 | 22,783 | 322,669 | 324,084 | 308,569 |
| Swiss leverage exposure | 340,047 | 337,005 | 321,395 | 16,691 | 18,609 | 23,871 | 356,738 | 355,614 | 345,266 |

# Strategic results

### OVERVIEW

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

### 2Q14 results

In 2Q14, our strategic businesses reported income before taxes of CHF 882 million and net revenues of CHF 2,932 million.

Net revenues decreased 3% compared to 1Q14, largely driven by lower transaction- and performance-based revenues and lower other revenues. Compared to 2Q13, net revenues decreased 9% with lower transaction- and performance-based revenues and lower net interest income. Provision for credit losses was CHF 30 million on a net loan portfolio of CHF 221.8 billion. Total operating expenses were 8% lower compared to 2Q13 and stable compared to 1Q14.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 954 | 963 | 1,054 | (1) | (9) | 1,917 | 2,073 | (8) |
| Recurring commissions and fees | 1,136 | 1,139 | 1,155 | 0 | (2) | 2,275 | 2,256 | 1 |
| Transaction- and performance-based revenues | 865 | 919 | 1,033 | (6) | (16) | 1,784 | 1,907 | (6) |
| Other revenues | (23) | 10 | (10) | – | 130 | (13) | 4 | – |
| **Net revenues** | **2,932** | **3,031** | **3,232** | (3) | (9) | **5,963** | **6,240** | (4) |
| New provisions | 49 | 36 | 61 | 36 | (20) | 85 | 108 | (21) |
| Releases of provisions | (19) | (19) | (42) | 0 | (55) | (38) | (66) | (42) |
| **Provision for credit losses** | **30** | **17** | **19** | 76 | 58 | **47** | **42** | 12 |
| Compensation and benefits | 1,184 | 1,225 | 1,273 | (3) | (7) | 2,409 | 2,580 | (7) |
| General and administrative expenses | 672 | 660 | 726 | 2 | (7) | 1,332 | 1,462 | (9) |
| Commission expenses | 164 | 164 | 199 | 0 | (18) | 328 | 385 | (15) |
| Total other operating expenses | 836 | 824 | 925 | 1 | (10) | 1,660 | 1,847 | (10) |
| **Total operating expenses** | **2,020** | **2,049** | **2,198** | (1) | (8) | **4,069** | **4,427** | (8) |
| **Income before taxes** | **882** | **965** | **1,015** | (9) | (13) | **1,847** | **1,771** | 4 |
| of which Wealth Management Clients | 569 | 578 | 621 | (2) | (8) | 1,147 | 1,075 | 7 |
| of which Corporate & Institutional Clients | 211 | 246 | 262 | (14) | (19) | 457 | 501 | (9) |
| of which Asset Management | 102 | 141 | 132 | (28) | (23) | 243 | 195 | 25 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 28.0 | 31.6 | 33.5 | – | – | 29.8 | 30.3 | – |
| Cost/income ratio | 68.9 | 67.6 | 68.0 | – | – | 68.2 | 70.9 | – |
| Pre-tax income margin | 30.1 | 31.8 | 31.4 | – | – | 31.0 | 28.4 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 96,805 | 93,522 [2] | 91,479 | 4 | 6 | 96,805 | 91,479 | 6 |
| Total assets | 306,919 | 306,228 | 285,786 | 0 | 7 | 306,919 | 285,786 | 7 |
| Swiss leverage exposure | 340,047 | 337,005 | 321,395 | 1 | 6 | 340,047 | 321,395 | 6 |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 28% in 6M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Includes the impact from external methodology changes in operational risk of CHF 2.2 billion in 1Q14.

## RESULTS DETAIL

The following provides a comparison of our 2Q14 strategic results versus 2Q13 (YoY) and versus 1Q14 (QoQ).

### Net revenues

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

**YoY: Down 9% from CHF 3,232 million to CHF 2,932 million**

Net revenues decreased primarily reflecting lower transaction- and performance-based revenues and decreased net interest income. The decrease in transaction- and performance-based revenues reflected lower revenues across most major revenue categories, primarily from foreign exchange client business, carried interest on realized private equity gains and semi-annual performance fees from Hedging-Griffo. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins on stable average deposit volumes and slightly lower loan margins on higher average loan volumes. Slightly lower recurring commissions and fees reflected decreased investment product management fees, partially offset by higher discretionary mandate management fees and slightly higher asset management fees.

**QoQ: Down 3% from CHF 3,031 million to CHF 2,932 million**

Slightly lower net revenues primarily reflected lower transaction- and performance-based revenues and lower other revenues. The decrease in transaction- and performance-based revenues reflected lower brokerage and product issuing fees, lower performance fees and carried interest, lower placement and transaction fees and lower foreign exchange client business, partially offset by higher equity participations income. Lower other revenues mainly reflected a fair value decrease on Clock Finance, a credit securitization transaction. Stable net interest income reflected lower deposit margins on stable average deposit volumes and stable loan margins on slightly higher average loan volumes. Stable recurring commissions and fees mainly reflected lower banking services fees and lower investment product management fees, largely offset by slightly higher asset management fees and slightly higher discretionary mandate management fees.

### Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

**YoY: Up 58% from CHF 19 million to CHF 30 million**

Provision for credit losses increased CHF 11 million. Wealth Management Clients recorded net provisions of CHF 17 million and Corporate & Institutional Clients recorded net provisions of CHF 13 million in 2Q14, reflecting a small number of individual cases.

**QoQ: Up 76% from CHF 17 million to CHF 30 million**

Provision for credit losses was higher in Wealth Management Clients and higher in Corporate & Institutional Clients. In 1Q14, Wealth Management Clients recorded net provisions of CHF 16 million while Corporate & Institutional Clients recorded net provisions of CHF 1 million.

### Operating expenses

#### Compensation and benefits

**YoY: Down 7% from CHF 1,273 million to CHF 1,184 million**

Lower compensation and benefits mainly reflected lower salary expenses, driven by lower headcount.

**QoQ: Down 3% from CHF 1,225 million to CHF 1,184 million**

Slightly lower compensation and benefits included lower discretionary performance-related compensation.

#### General and administrative expenses

**YoY: Down 7% from CHF 726 million to CHF 672 million**

Lower general and administrative expenses primarily reflected the results of our ongoing efficiency measures and lower expense provisions.

**QoQ: Up 2% from CHF 660 million to CHF 672 million**

Slightly higher general and administrative expenses primarily reflected higher travel and entertainment expenses and slightly higher professional services fees.

### Business developments

In July 2014, we entered into an agreement to sell Private Banking & Wealth Management's local affluent and upper affluent business in Italy to Banca Generali S.p.A. The transaction also includes approximately 60 agents of Credit Suisse (Italy) S.p.A., with over Euro 2.0 billion of assets under management. The transaction is expected to close by November 2014, subject to customary closing conditions, including related to regulatory requirements and labor agreements.

## WEALTH MANAGEMENT CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 12% from CHF 778 million to CHF 688 million**

Lower net interest income reflected the low interest rate environment, significantly lower deposit margins on stable average deposit volumes and lower loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding.

**QoQ: Down 3% from CHF 706 million to CHF 688 million**

Slightly lower net interest income reflected lower deposit margins on stable average deposit volumes and lower loan margins on slightly higher loan volumes.

#### Recurring commissions and fees

**YoY: Down 3% from CHF 750 million to CHF 728 million**

Recurring commissions and fees were slightly lower, driven by lower investment product management fees and slightly lower investment account and services fees, partially offset by higher discretionary mandate management fees and slightly higher banking services fees.

**QoQ: Stable at CHF 728 million**

Recurring commissions and fees were stable with lower investment product management fees and lower banking services fees, reflecting lower account statement fees, offset by increases across other categories.

#### Transaction- and performance-based revenues

**YoY: Down 15% from CHF 711 million to CHF 601 million**

Lower transaction- and performance-based revenues mainly reflected lower market activity adversely impacting foreign exchange client business and brokerage and product issuing fees, as well as lower equity participations income, due to an increased dividend in 2Q13 related to our ownership interest in SIX Group AG, and lower performance fees from Hedging-Griffo.

**QoQ: Down 6% from CHF 638 million to CHF 601 million**

Transaction- and performance-based revenues decreased, mainly driven by lower brokerage and product issuing fees and lower placement and transaction fees, partially offset by higher equity participations income.

## Results – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | 2Q14 | 1Q14 | 2Q13 | QoQ | YoY | 6M14 | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,017** | **2,074** | **2,239** | (3) | (10) | **4,091** | **4,326** | (5) |
| **Provision for credit losses** | **17** | **16** | **20** | 6 | (15) | **33** | **39** | (15) |
| **Total operating expenses** | **1,431** | **1,480** | **1,598** | (3) | (10) | **2,911** | **3,212** | (9) |
| **Income before taxes** | **569** | **578** | **621** | (2) | (8) | **1,147** | **1,075** | 7 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 70.9 | 71.4 | 71.4 | – | – | 71.2 | 74.2 | – |
| Pre-tax income margin | 28.2 | 27.9 | 27.7 | – | – | 28.0 | 24.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 688 | 706 | 778 | (3) | (12) | 1,394 | 1,524 | (9) |
| Recurring commissions and fees | 728 | 730 | 750 | 0 | (3) | 1,458 | 1,467 | (1) |
| Transaction- and performance-based revenues | 601 | 638 | 711 | (6) | (15) | 1,239 | 1,335 | (7) |
| **Net revenues** | **2,017** | **2,074** | **2,239** | (3) | (10) | **4,091** | **4,326** | (5) |
| **Gross and net margin (annualized) (bp)** | | | | | | | | |
| Net interest income | 34 | 35 | 39 | – | – | 34 | 39 | – |
| Recurring commissions and fees | 36 | 37 | 37 | – | – | 36 | 37 | – |
| Transaction- and performance-based revenues | 29 | 32 | 36 | – | – | 31 | 34 | – |
| **Gross margin** [1] | **99** | **104** | **112** | – | – | **101** | **110** | – |
| **Net margin** [2] | **28** | **29** | **31** | – | – | **28** | **27** | – |
| **Number of relationship managers** | | | | | | | | |
| Switzerland | 1,680 | 1,690 | 1,600 | (1) | 5 | 1,680 | 1,600 | 5 |
| EMEA | 1,110 | 1,150 | 1,260 | (3) | (12) | 1,110 | 1,260 | (12) |
| Americas | 540 | 560 | 610 | (4) | (11) | 540 | 610 | (11) |
| Asia Pacific | 470 | 460 | 450 | 2 | 4 | 470 | 450 | 4 |
| **Number of relationship managers** | **3,800** | **3,860** | **3,920** | **(2)** | **(3)** | **3,800** | **3,920** | **(3)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

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

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

### Gross margin

Our gross margin was 99 basis points in 2Q14, 13 basis points lower compared to 2Q13, mainly reflecting lower transaction- and performance-based revenues, a continued adverse interest rate environment and a 2.5% increase in average assets under management. Compared to 1Q14, our gross margin was down five basis points, driven by a 2.7% increase in average assets under management, a change in client mix, lower fee-based revenues and slightly lower net interest income.

### Net margin

Our net margin was 28 basis points in 2Q14, three basis points lower compared to 2Q13, reflecting lower transaction- and performance-based revenues and lower net interest income, partially offset by lower operating expenses. Compared to 1Q14, our net margin was one basis point lower, driven by slightly lower income before taxes.

## Assets under management – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Assets under management by region (CHF billion)** | | | | | | | | |
| Switzerland | 284.9 | 280.2 | 262.1 | 1.7 | 8.7 | 284.9 | 262.1 | 8.7 |
| EMEA | 233.4 | 227.2 | 236.7 | 2.7 | (1.4) | 233.4 | 236.7 | (1.4) |
| Americas | 182.7 | 176.3 | 172.4 | 3.6 | 6.0 | 182.7 | 172.4 | 6.0 |
| Asia Pacific | 128.7 | 121.2 | 111.1 | 6.2 | 15.8 | 128.7 | 111.1 | 15.8 |
| **Assets under management** | **829.7** | **804.9** | **782.3** | 3.1 | 6.1 | **829.7** | **782.3** | 6.1 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 818.7 | 797.4 | 798.4 | 2.7 | 2.5 | 808.1 | 788.5 | 2.5 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 321.2 | 309.8 | 303.3 | 3.7 | 5.9 | 321.2 | 303.3 | 5.9 |
| EUR | 156.4 | 154.8 | 151.3 | 1.0 | 3.4 | 156.4 | 151.3 | 3.4 |
| CHF | 194.2 | 191.5 | 185.7 | 1.4 | 4.6 | 194.2 | 185.7 | 4.6 |
| Other | 157.9 | 148.8 | 142.0 | 6.1 | 11.2 | 157.9 | 142.0 | 11.2 |
| **Assets under management** | **829.7** | **804.9** | **782.3** | 3.1 | 6.1 | **829.7** | **782.3** | 6.1 |
| **Net new assets by region (CHF billion)** | | | | | | | | |
| Switzerland | 1.9 | 4.6 | 2.7 | (58.7) | (29.6) | 6.5 | 3.0 | 116.7 |
| EMEA | (0.2) | (0.4) | 2.1 | (50.0) | – | (0.6) | 3.3 | – |
| Americas | 0.8 | 1.5 | 0.0 | (46.7) | – | 2.3 | 1.6 | 43.8 |
| Asia Pacific | 4.9 | 4.9 | 2.9 | 0.0 | 69.0 | 9.8 | 5.5 | 78.2 |
| **Net new assets** | **7.4** | **10.6** | **7.7** | (30.2) | (3.9) | **18.0** | **13.4** | 34.3 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 7.4 | 10.6 | 7.7 | – | – | 18.0 | 13.4 | – |
| Other effects | 17.4 | 3.6 | (19.8) | – | – | 21.0 | 10.9 | – |
| of which market movements | 15.6 | 5.7 | (14.5) | – | – | 21.3 | 5.4 | – |
| of which currency | 2.8 | (1.6) | (3.6) | – | – | 1.2 | 9.7 | – |
| of which other | (1.0) | (0.5) | (1.7) | – | – | (1.5) | (4.2) | – |
| **Growth in assets under management** | **24.8** | **14.2** | **(12.1)** | – | – | **39.0** | **24.3** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 3.7 | 5.4 | 3.9 | – | – | 4.6 | 3.5 | – |
| Other effects | 8.6 | 1.8 | (10.0) | – | – | 5.3 | 2.9 | – |
| **Growth in assets under management (annualized)** | **12.3** | **7.2** | **(6.1)** | – | – | **9.9** | **6.4** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 3.0 | 3.0 | 3.1 | – | – | – | – | – |
| Other effects | 3.1 | (1.7) | 3.6 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **6.1** | **1.3** | **6.7** | – | – | – | – | – |

## CORPORATE & INSTITUTIONAL CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 4% from CHF 276 million to CHF 266 million**
The decrease reflected the low interest rate environment, significantly lower deposit margins on higher average deposit volumes and lower levels of deposits eligible as stable funding, partially offset by slightly higher loan margins on higher average loan volumes.
**QoQ: Up 4% from CHF 257 million to CHF 266 million**
The increase reflected higher loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on stable average deposit volumes.

#### Recurring commissions and fees

**YoY: Down 2% from CHF 115 million to CHF 113 million**
Recurring commissions and fees decreased slightly, with lower investment product management fees and lower banking services fees, partially offset by higher discretionary mandate management fees.
**QoQ: Down 7% from CHF 122 million to CHF 113 million**
The decrease primarily reflected lower banking services fees.

#### Transaction- and performance-based revenues

**YoY: Down 7% from CHF 127 million to CHF 118 million**
Lower transaction- and performance-based revenues reflected lower sales and trading revenues, lower brokerage and product issuing fees and slightly lower foreign exchange client business.
**QoQ: Stable at CHF 118 million**
Stable transaction- and performance-based revenues reflected higher equity participations income, offset by slightly lower foreign exchange client business.

### Results – Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **475** | **492** | **512** | (3) | (7) | **967** | **1,012** | (4) |
| **Provision for credit losses** | **13** | **1** | **(1)** | – | – | **14** | **3** | 367 |
| **Total operating expenses** | **251** | **245** | **251** | 2 | 0 | **496** | **508** | (2) |
| **Income before taxes** | **211** | **246** | **262** | (14) | (19) | **457** | **501** | (9) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 52.8 | 49.8 | 49.0 | – | – | 51.3 | 50.2 | – |
| Pre-tax income margin | 44.4 | 50.0 | 51.2 | – | – | 47.3 | 49.5 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 266 | 257 | 276 | 4 | (4) | 523 | 549 | (5) |
| Recurring commissions and fees | 113 | 122 | 115 | (7) | (2) | 235 | 226 | 4 |
| Transaction- and performance-based revenues | 118 | 117 | 127 | 1 | (7) | 235 | 248 | (5) |
| Other revenues [1] | (22) | (4) | (6) | 450 | 267 | (26) | (11) | 136 |
| **Net revenues** | **475** | **492** | **512** | (3) | (7) | **967** | **1,012** | (4) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 540 | 550 | 570 | (2) | (5) | 540 | 570 | (5) |

[1] Reflects fair value gains/(losses) on the Clock Finance transaction.

# ASSET MANAGEMENT

## Net revenues

### Fee-based revenues

**YoY: Down 8% from CHF 467 million to CHF 428 million**

The decrease reflected lower carried interest on realized private equity gains and the absence of performance fees from Hedging-Griffo funds due to year-to-date returns performing below their respective high-water marks, partially offset by higher placement fees and slightly higher asset management fees due to higher average assets under management.

**QoQ: Down 2% from CHF 438 million to CHF 428 million**

Fee-based revenues were slightly lower reflecting lower carried interest on realized private equity gains and lower real estate transaction fees, partially offset by slightly higher asset management fees and higher placement fees.

### Investment-related gains/(losses)

**YoY: Up 200% from CHF 2 million to CHF 6 million**

Investment-related gains were higher compared to 2Q13 driven by gains in hedge fund investments.

**QoQ: Down 68% from CHF 19 million to CHF 6 million**

Investment-related gains were lower in 2Q14 primarily due to gains in the real estate sector in 1Q14 that were not replicated in 2Q14.

### Equity participations and other gains/(losses)

**YoY: Up from zero to CHF 3 million**

In 2Q14, we recognized a gain of CHF 3 million from the sale of an equity stake in a joint venture.

**QoQ: Up from zero to CHF 3 million**

In 2Q14, we recognized the gain from the sale of an equity stake in a joint venture.

## Results – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **338** | **324** | **349** | 4 | (3) | **662** | **707** | (6) |
| **Income before taxes** | **102** | **141** | **132** | (28) | (23) | **243** | **195** | 25 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.8 | 69.7 | 72.6 | – | – | 73.1 | 78.4 | – |
| Pre-tax income margin | 23.2 | 30.3 | 27.4 | – | – | 26.9 | 21.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 295 | 287 | 290 | 3 | 2 | 582 | 563 | 3 |
| Transaction- and performance-based revenues | 146 | 164 | 195 | (11) | (25) | 310 | 324 | (4) |
| Other revenues | (1) | 14 | (4) | – | (75) | 13 | 15 | (13) |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 295 | 287 | 290 | 3 | 2 | 582 | 563 | 3 |
| Placement, transaction and other fees | 59 | 56 | 47 | 5 | 26 | 115 | 107 | 7 |
| Performance fees and carried interest | 59 | 80 | 120 | (26) | (51) | 139 | 164 | (15) |
| Equity participations income | 15 | 15 | 10 | 0 | 50 | 30 | 20 | 50 |
| Fee-based revenues | 428 | 438 | 467 | (2) | (8) | 866 | 854 | 1 |
| Investment-related gains/(losses) | 6 | 19 | 2 | (68) | 200 | 25 | 35 | (29) |
| Equity participations and other gains/(losses) | 3 | 0 | 0 | – | – | 3 | 0 | – |
| Other revenues [1] | 3 | 8 | 12 | (63) | (75) | 11 | 13 | (15) |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 46 | 49 | 53 | – | – | 48 | 50 | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Assets under management – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Hedge funds | 33.3 | 30.9 | 28.2 | 7.8 | 18.1 | 33.3 | 28.2 | 18.1 |
| Private equity | 0.7 | 0.7 | 0.4 | 0.0 | 75.0 | 0.7 | 0.4 | 75.0 |
| Real estate & commodities | 51.0 | 52.4 | 49.1 | (2.7) | 3.9 | 51.0 | 49.1 | 3.9 |
| Credit | 33.3 | 32.2 | 28.3 | 3.4 | 17.7 | 33.3 | 28.3 | 17.7 |
| Index strategies | 83.4 | 78.1 | 69.8 | 6.8 | 19.5 | 83.4 | 69.8 | 19.5 |
| Multi-asset class solutions | 107.9 | 105.6 | 107.5 | 2.2 | 0.4 | 107.9 | 107.5 | 0.4 |
| Fixed income & equities | 53.9 | 53.4 | 56.4 | 0.9 | (4.4) | 53.9 | 56.4 | (4.4) |
| Other | 13.6 | 10.1 | 6.4 | 34.7 | 112.5 | 13.6 | 6.4 | 112.5 |
| **Assets under management** | **377.1** | **363.4** | **346.1** | 3.8 | 9.0 | **377.1** | **346.1** | 9.0 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 369.6 | 357.2 | 349.4 | 3.5 | 5.8 | 363.4 | 343.0 | 5.9 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 82.2 | 78.1 | 71.2 | 5.2 | 15.4 | 82.2 | 71.2 | 15.4 |
| EUR | 51.8 | 51.2 | 49.5 | 1.2 | 4.6 | 51.8 | 49.5 | 4.6 |
| CHF | 206.2 | 200.7 | 196.5 | 2.7 | 4.9 | 206.2 | 196.5 | 4.9 |
| Other | 36.9 | 33.4 | 28.9 | 10.5 | 27.7 | 36.9 | 28.9 | 27.7 |
| **Assets under management** | **377.1** | **363.4** | **346.1** | 3.8 | 9.0 | **377.1** | **346.1** | 9.0 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | 4.1 | 6.9 | 2.6 | – | – | 11.0 | 11.1 | – |
| Other effects | 9.6 | 4.2 | (3.5) | – | – | 13.8 | 9.7 | – |
| of which market movements | 7.1 | 4.2 | (2.4) | – | – | 11.3 | 7.3 | – |
| of which currency | 0.8 | (0.5) | (1.5) | – | – | 0.3 | 2.0 | – |
| of which other | 1.7 | 0.5 | 0.4 | – | – | 2.2 | 0.4 | – |
| **Growth in assets under management** | **13.7** | **11.1** | **(0.9)** | – | – | **24.8** | **20.8** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 4.5 | 7.8 | 3.0 | – | – | 6.3 | 6.8 | – |
| Other effects | 10.6 | 4.8 | (4.0) | – | – | 7.8 | 6.0 | – |
| **Growth in assets under management (annualized)** | **15.1** | **12.6** | **(1.0)** | – | – | **14.1** | **12.8** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.3 | 3.9 | 4.3 | – | – | – | – | – |
| Other effects | 4.7 | 0.8 | 5.9 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **9.0** | **4.7** | **10.2** | – | – | **–** | **–** | – |
| **Principal investments (CHF billion)** | | | | | | | | |
| Principal investments | 1.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 |

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

# Non-strategic results

## OVERVIEW

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to US cross-border matters, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

### 2Q14 results

In 2Q14, our non-strategic businesses reported a loss before taxes of CHF 1,631 million. In May 2014, we announced a comprehensive and final settlement regarding all outstanding US cross-border matters. The final settlement amount was USD 2,815 million (CHF 2,510 million). In prior quarters, we had taken litigation provisions totaling CHF 892 million related to this matter. As a result, a pre-tax litigation settlement charge of CHF 1,618 million was recognized in 2Q14. In 1Q14, our non-strategic businesses reported income before taxes of CHF 47 million, including an equity participation gain of CHF 91 million from the sale in January 2014 of CFIG, our private equity fund of funds and co-investment business.

### Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **114** | **209** | **187** | (45) | (39) | **323** | **457** | (29) |
| **Provision for credit losses** | **(7)** | **16** | **27** | – | – | **9** | **32** | (72) |
| Compensation and benefits | 51 | 65 | 80 | (22) | (36) | 116 | 152 | (24) |
| Total other operating expenses | 1,701 | 81 | 178 | – | – | 1,782 | 246 | – |
| **Total operating expenses** | **1,752** | **146** | **258** | – | – | **1,898** | **398** | 377 |
| **Income/(loss) before taxes** | **(1,631)** | **47** | **(98)** | – | – | **(1,584)** | **27** | – |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 22 | 22 | 37 | 0 | (41) | 44 | 111 | (60) |
| Legacy cross-border business and small markets | 41 | 44 | 51 | (7) | (20) | 85 | 102 | (17) |
| Restructuring of former Asset Management division | 38 | 134 | 81 | (72) | (53) | 172 | 192 | (10) |
| Other | 13 | 9 | 18 | 44 | (28) | 22 | 52 | (58) |
| **Net revenues** | **114** | **209** | **187** | (45) | (39) | **323** | **457** | (29) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 6,732 | 7,561 | 7,358 | (11) | (9) | 6,732 | 7,358 | (9) |
| Total assets | 15,750 | 17,856 | 22,783 | (12) | (31) | 15,750 | 22,783 | (31) |
| Swiss leverage exposure | 16,691 | 18,609 | 23,871 | (10) | (30) | 16,691 | 23,871 | (30) |

## RESULTS DETAIL

The following provides a comparison of our 2Q14 non-strategic results versus 2Q13 (YoY) and versus 1Q14 (QoQ).

### Net revenues

**YoY: Down 39% from CHF 187 million to CHF 114 million**

The decrease in net revenues primarily reflected lower recurring commissions and fees due to the sale in prior quarters of businesses relating to the restructuring of the former Asset Management division.

**QoQ: Down 45% from CHF 209 million to CHF 114 million**

The decrease mainly reflected the gain of CHF 91 million from the sale of CFIG in 1Q14.

### Operating expenses

**YoY: Up from CHF 258 million to CHF 1,752 million**

Higher operating expenses were driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. Compensation and benefits were lower, reflecting the sale of businesses.

**QoQ: Up from CHF 146 million to CHF 1,752 million**

Higher operating expenses were driven by the litigation settlement charge relating to the final settlement of all outstanding US cross-border matters. Compensation and benefits were lower due to higher severance costs in 1Q14.

# Assets under management

In 2Q14, assets under management of CHF 1,329.7 billion increased CHF 37.2 billion compared to the end of 1Q14, driven mainly by positive market movements, net new assets and favorable foreign exchange-related movements.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 7.4 billion in 2Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, and Switzerland, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.6 billion in 2Q14. Asset Management reported net new assets of CHF 4.1 billion in 2Q14, driven by inflows in traditional products, with substantial contributions from index strategies, and inflows from hedge funds and credit products.

Assets under management in our non-strategic portfolio were stable at CHF 25.9 billion.

## Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 829.7 | 804.9 | 782.3 | 3.1 | 6.1 | 829.7 | 782.3 | 6.1 |
| Corporate & Institutional Clients | 261.4 | 254.4 | 238.3 | 2.8 | 9.7 | 261.4 | 238.3 | 9.7 |
| Asset Management | 377.1 | 363.4 | 346.1 | 3.8 | 9.0 | 377.1 | 346.1 | 9.0 |
| Non-strategic | 25.9 | 25.9 | 83.8 | 0.0 | (69.1) | 25.9 | 83.8 | (69.1) |
| Assets managed across businesses [1] | (164.4) | (156.1) | (153.9) | 5.3 | 6.8 | (164.4) | (153.9) | 6.8 |
| **Assets under management** | **1,329.7** | **1,292.5** | **1,296.6** | 2.9 | 2.6 | **1,329.7** | **1,296.6** | 2.6 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,311.6 | 1,282.1 | 1,318.9 | 2.3 | (0.6) | 1,296.8 | 1,302.2 | (0.4) |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 7.4 | 10.6 | 7.7 | (30.2) | (3.9) | 18.0 | 13.4 | 34.3 |
| Corporate & Institutional Clients | 0.6 | 0.4 | (0.2) | 50.0 | – | 1.0 | 4.3 | (76.7) |
| Asset Management | 4.1 | 6.9 | 2.6 | (40.6) | 57.7 | 11.0 | 11.1 | (0.9) |
| Non-strategic | (1.7) | (2.3) | (1.4) | (26.1) | 21.4 | (4.0) | (3.7) | 8.1 |
| Assets managed across businesses [1] | (0.3) | (1.9) | (1.1) | (84.2) | (72.7) | (2.2) | (5.5) | (60.0) |
| **Net new assets** | **10.1** | **13.7** | **7.6** | (26.3) | 32.9 | **23.8** | **19.6** | 21.4 |

1 Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

# Investment Banking

In 2Q14, Investment Banking reported income before taxes of CHF 752 million and net revenues of CHF 3,342 million. Investment Banking delivered solid results driven by the strength of our diversified strategic franchise and an accelerated wind-down of risk-weighted assets and leverage exposure in our non-strategic unit. In our strategic businesses, net revenues declined 6% compared to 2Q13 primarily driven by less favorable trading conditions in our equity sales and trading businesses and continued weakness in global macro products, particularly in foreign exchange and commodities. Compared to 1Q14, net revenues declined 5% in our strategic businesses as less favorable trading conditions in certain fixed income businesses and equity sales and trading, offset strong results in underwriting and advisory. In 2Q14, we accelerated the wind-down of the non-strategic unit, reducing Swiss leverage exposure by USD 3 billion, or 4%, and Basel III risk-weighted assets by USD 6 billion, or 32%, compared to 1Q14.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,342** | **3,416** | **3,400** | (2) | (2) | **6,758** | **7,345** | (8) |
| of which strategic results | 3,395 | 3,563 | 3,604 | (5) | (6) | 6,958 | 7,621 | (9) |
| of which non-strategic results | (53) | (147) | (204) | (64) | (74) | (200) | (276) | (28) |
| **Provision for credit losses** | **(5)** | **0** | **4** | – | – | **(5)** | **(2)** | 150 |
| Compensation and benefits | 1,499 | 1,521 | 1,466 | (1) | 2 | 3,020 | 2,951 | 2 |
| General and administrative expenses | 889 | 856 | 934 | 4 | (5) | 1,745 | 1,849 | (6) |
| Commission expenses | 207 | 212 | 242 | (2) | (14) | 419 | 493 | (15) |
| Total other operating expenses | 1,096 | 1,068 | 1,176 | 3 | (7) | 2,164 | 2,342 | (8) |
| **Total operating expenses** | **2,595** | **2,589** | **2,642** | 0 | (2) | **5,184** | **5,293** | (2) |
| of which strategic results | 2,366 | 2,439 | 2,434 | (3) | (3) | 4,805 | 4,911 | (2) |
| of which non-strategic results | 229 | 150 | 208 | 53 | 10 | 379 | 382 | (1) |
| **Income before taxes** | **752** | **827** | **754** | (9) | 0 | **1,579** | **2,054** | (23) |
| of which strategic results | 1,034 | 1,124 | 1,167 | (8) | (11) | 2,158 | 2,714 | (20) |
| of which non-strategic results | (282) | (297) | (413) | (5) | (32) | (579) | (660) | (12) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 12.3 | 13.6 | 11.0 | – | – | 13.0 | 15.8 | – |
| Cost/income ratio | 77.6 | 75.8 | 77.7 | – | – | 76.7 | 72.1 | – |
| Pre-tax income margin | 22.5 | 24.2 | 22.2 | – | – | 23.4 | 28.0 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 19,872 | 19,538 | 19,362 | 2 | 3 | 19,822 | 19,032 | 4 |
| Pre-tax return on average utilized economic capital (%) [2] | 15.6 | 17.4 | 16.1 | – | – | 16.4 | 22.1 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,000 | 19,200 | 19,500 | (1) | (3) | 19,000 | 19,500 | (3) |

1 Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

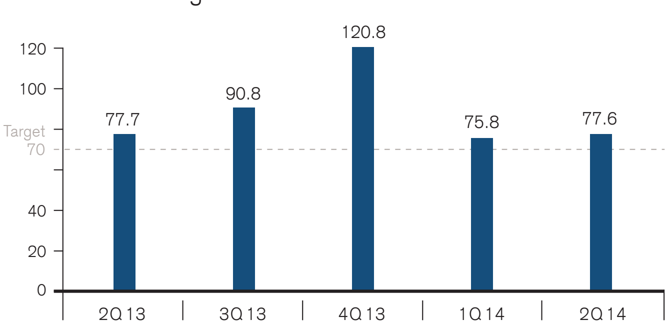
| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | 2Q14 | 1Q14 | 2Q13 | QoQ | YoY | 6M14 | 6M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 468 | 535 | 3 | (10) | 951 | 996 | (5) |
| Equity underwriting | 268 | 183 | 207 | 46 | 29 | 451 | 364 | 24 |
| Total underwriting | 751 | 651 | 742 | 15 | 1 | 1,402 | 1,360 | 3 |
| Advisory and other fees | 161 | 180 | 167 | (11) | (4) | 341 | 312 | 9 |
| **Total underwriting and advisory** | **912** | **831** | **909** | 10 | 0 | **1,743** | **1,672** | 4 |
| Fixed income sales and trading | 1,428 | 1,489 | 1,257 | (4) | 14 | 2,917 | 3,244 | (10) |
| Equity sales and trading | 1,134 | 1,201 | 1,338 | (6) | (15) | 2,335 | 2,635 | (11) |
| **Total sales and trading** | **2,562** | **2,690** | **2,595** | (5) | (1) | **5,252** | **5,879** | (11) |
| Other | (132) | (105) | (104) | 26 | 27 | (237) | (206) | 15 |
| **Net revenues** | **3,342** | **3,416** | **3,400** | (2) | (2) | **6,758** | **7,345** | (8) |
| **Average one-day, 98% risk management Value-at-Risk (CHF million)** | | | | | | | | |
| Interest rate | 13 | 12 | 22 | 8 | (41) | 12 | 22 | (45) |
| Credit spread | 30 | 31 | 36 | (3) | (17) | 30 | 37 | (19) |
| Foreign exchange | 9 | 11 | 10 | (18) | (10) | 10 | 9 | 11 |
| Commodity | 2 | 3 | 2 | (33) | 0 | 2 | 2 | 0 |
| Equity | 17 | 19 | 15 | (11) | 13 | 18 | 16 | 13 |
| Diversification benefit | (30) | (35) | (45) | (14) | (33) | (31) | (46) | (33) |
| **Average one-day, 98% risk management Value-at-Risk** | **41** | **41** | **40** | 0 | 2 | **41** | **40** | 2 |

### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 77.6% in 2Q14, compared to 75.8% in 1Q14 and 77.7% in 2Q13. The cost/income ratio for our strategic results was 69.7% in 2Q14 compared to 68.5% in 1Q14 and 67.5% in 2Q13.

▸ Refer to "Key performance indicators" in Core Results for further information.

**Cost/income ratio – KPI** (in %)
Investment Banking




### EVOLVING THE INVESTMENT BANKING BUSINESS MODEL

Over the past year, we have made significant progress in transforming the macro products franchise to adapt to the evolving operating and regulatory environment. In line with this strategy, in 2Q14, we announced an exit from the commodities trading business in order to redeploy resources to more profitable businesses. The results of this business during the wind-down period will be reflected in the non-strategic unit beginning in 3Q14. We expect to achieve incremental expense savings of approximately USD 75 million, and a reduction in Basel III risk-weighted assets of USD 2 billion and Swiss leverage exposure of USD 5 billion from 2Q14 to the end-state. Additionally, we will also re-focus the foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and will further simplify our rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

### Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Investment Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **3,395** | **3,563** | **3,604** | **(53)** | **(147)** | **(204)** | **3,342** | **3,416** | **3,400** |
| **Provision for credit losses** | **(5)** | **0** | **3** | **0** | **0** | **1** | **(5)** | **0** | **4** |
| Compensation and benefits | 1,476 | 1,495 | 1,438 | 23 | 26 | 28 | 1,499 | 1,521 | 1,466 |
| Total other operating expenses | 890 | 944 | 996 | 206 | 124 | 180 | 1,096 | 1,068 | 1,176 |
| **Total operating expenses** | **2,366** | **2,439** | **2,434** | **229** | **150** | **208** | **2,595** | **2,589** | **2,642** |
| **Income/(loss) before taxes** | **1,034** | **1,124** | **1,167** | **(282)** | **(297)** | **(413)** | **752** | **827** | **754** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 148,663 | 146,276 | 147,028 | 11,536 | 16,436 | 19,159 | 160,199 | 162,712 | 166,187 |
| Risk-weighted assets – Basel III (USD) | 167,639 | 165,592 | 155,397 | 13,009 | 18,607 | 20,249 | 180,648 | 184,199 | 175,646 |
| Total assets | 501,387 | 497,833 | 545,472 | 23,714 | 23,662 | 29,743 | 525,101 | 521,495 | 575,215 |
| Swiss leverage exposure | 692,836 | 685,298 | 780,563 | 63,785 | 66,521 | 88,104 | 756,621 | 751,819 | 868,667 |

# Strategic results

## OVERVIEW

In 2Q14, our strategic businesses reported income before taxes of CHF 1,034 million and net revenues of CHF 3,395 million.

Fixed income revenues were higher compared to 2Q13, reflecting continued investor demand for yield products, but were partially offset by challenging trading conditions in global macro products. Revenues decreased compared to 1Q14, as lower global credit products and securitized products results, following a seasonally stronger 1Q14 for these businesses, more than offset a rebound in emerging markets revenues.

Equities sales and trading results declined from strong 2Q13 levels, driven by less favorable trading conditions, specifically a low volatility and low volume environment, resulting in reduced client activity. Revenues were lower than 1Q14, primarily driven by weak client activity in our equity derivatives business.

Underwriting and advisory results were higher compared to 2Q13 and 1Q14, reflecting significantly higher equity underwriting revenues, as origination remained robust.

Results in 2Q14 were impacted by the weakening of the average rate of the US dollar against the Swiss franc, which negatively impacted revenues and favorably impacted expenses. Compared to 2Q13, revenues decreased 6% and total operating expenses decreased 3% in Swiss francs while revenues were stable and total operating expenses increased 4% in US dollars.

As of the end of 2Q14, we reported Basel III risk-weighted assets of USD 168 billion, up USD 2 billion from 1Q14. Additionally, we reported Swiss leverage exposure in our strategic businesses of USD 781 billion, an increase of USD 5 billion from 1Q14.

The following provides a comparison of our strategic 2Q14 results versus 2Q13 (YoY) and versus 1Q14 (QoQ).

### Net revenues

#### Debt underwriting

**YoY: Down 10% from CHF 534 million to CHF 483 million**

We had significantly lower revenues from emerging markets following strong performance in 2Q13, particularly in structured lending and Brazil. This decrease was partially offset by higher investment grade revenues, driven by market share gains and higher global industry-wide issuance volumes. Results also reflected higher leveraged finance revenues, driven by high yield market share gains, and increased global high yield industry-wide issuance volumes.

**QoQ: Up 3% from CHF 468 million to CHF 483 million**

The increase was driven by continued strength in leveraged finance as global high yield industry-wide issuance volumes more than offset slightly lower market share. We also had higher investment grade results driven by increased global industry-wide issuance volumes.

#### Equity underwriting

**YoY: Up 30% from CHF 206 million to CHF 268 million**

The increase reflected significantly higher revenues from initial public offerings (IPOs), reflecting substantially higher global industry-wide issuance activity. We also had higher results from follow-on offerings and solid performance in convertibles, as higher global industry-wide issuance volumes more than offset lower market share in both products.

**QoQ: Up 46% from CHF 183 million to CHF 268 million**

The increase was primarily driven by higher revenues from IPOs, reflecting market share gains and substantially higher global industry-wide issuance activity. We also had higher results from follow-on offerings and convertibles, as higher global industry-wide issuance volumes more than offset lower market share in both products.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 468 | 534 | 3 | (10) | 951 | 995 | (4) |
| Equity underwriting | 268 | 183 | 206 | 46 | 30 | 451 | 363 | 24 |
| Total underwriting | 751 | 651 | 740 | 15 | 1 | 1,402 | 1,358 | 3 |
| Advisory and other fees | 161 | 180 | 167 | (11) | (4) | 341 | 312 | 9 |
| **Total underwriting and advisory** | **912** | **831** | **907** | 10 | 1 | **1,743** | **1,670** | 4 |
| Fixed income sales and trading | 1,485 | 1,609 | 1,434 | (8) | 4 | 3,094 | 3,462 | (11) |
| Equity sales and trading | 1,119 | 1,207 | 1,368 | (7) | (18) | 2,326 | 2,684 | (13) |
| **Total sales and trading** | **2,604** | **2,816** | **2,802** | (8) | (7) | **5,420** | **6,146** | (12) |
| Other | (121) | (84) | (105) | 44 | 15 | (205) | (195) | 5 |
| **Net revenues** | **3,395** | **3,563** | **3,604** | (5) | (6) | **6,958** | **7,621** | (9) |
| **Provision for credit losses** | **(5)** | **0** | **3** | – | – | **(5)** | **(4)** | 25 |
| Compensation and benefits | 1,476 | 1,495 | 1,438 | (1) | 3 | 2,971 | 2,897 | 3 |
| General and administrative expenses | 688 | 735 | 758 | (6) | (9) | 1,423 | 1,534 | (7) |
| Commission expenses | 202 | 209 | 238 | (3) | (15) | 411 | 480 | (14) |
| Total other operating expenses | 890 | 944 | 996 | (6) | (11) | 1,834 | 2,014 | (9) |
| **Total operating expenses** | **2,366** | **2,439** | **2,434** | (3) | (3) | **4,805** | **4,911** | (2) |
| **Income before taxes** | **1,034** | **1,124** | **1,167** | (8) | (11) | **2,158** | **2,714** | (20) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 18.5 | 20.5 | 19.1 | – | – | 19.5 | 23.3 | – |
| Cost/income ratio | 69.7 | 68.5 | 67.5 | – | – | 69.1 | 64.4 | – |
| Pre-tax income margin | 30.5 | 31.5 | 32.4 | – | – | 31.0 | 35.6 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 148,663 | 146,276 | 147,028 | 2 | 1 | 148,663 | 147,028 | 1 |
| Risk-weighted assets – Basel III (USD) | 167,639 | 165,592 | 155,397 | 1 | 8 | 167,639 | 155,397 | 8 |
| Total assets | 501,387 | 497,833 | 545,472 | 1 | (8) | 501,387 | 545,472 | (8) |
| Swiss leverage exposure | 692,836 | 685,298 | 780,563 | 1 | (11) | 692,836 | 780,563 | (11) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

### Advisory and other fees

**YoY: Down 4% from CHF 167 million to CHF 161 million**

The decrease was due to lower market share and lower industry-wide completed M&A activity. Additionally, results were adversely impacted as 2Q13 included higher restructuring advisory fees.

**QoQ: Down 11% from CHF 180 million to CHF 161 million**

The decrease was driven by lower M&A fees as a slowdown in completed M&A activity, relative to robust 1Q14 levels, more than offset higher market share.

### Fixed income sales and trading

**YoY: Up 4% from CHF 1,434 million to CHF 1,485 million**

Fixed income results reflected continued investor demand for yield products, specifically credit and securitized products in a low rate environment. 2Q13 performance was adversely impacted by a significant decline in trading activity due to rising rates and widening credit spreads from the US Federal Reserve's announcement to reduce its bond buying program. Emerging markets revenues improved substantially, primarily driven by strong financing activity. Results also reflected higher revenues from corporate lending. Securitized products revenues increased, driven by higher revenues in agency securities and mortgage servicing and consistent performance in asset finance. We had solid performance in global credit products, as strong origination activity led to higher secondary trading in our investment grade and leveraged finance franchises. We had significantly lower global macro products revenues as a low volatility environment resulted in subdued client activity, particularly in our foreign exchange and commodities businesses. We had lower rates revenues driven by declines in Japan and the US.

**QoQ: Down 8% from CHF 1,609 million to CHF 1,485 million**

Fixed income sales and trading revenues declined, primarily due to lower results in our global credit products and securitized products, following a seasonally stronger 1Q14 for these businesses. We had significantly lower revenues from global credit products, driven by lower leveraged finance trading revenues. Securitized products revenues declined, as lower revenues across agency and non-agency securities and mortgage servicing offset continued momentum in our leading asset finance franchise. We also had lower results from global macro products, as weakness in foreign exchange and commodities more than offset higher rates revenues in the US and Europe. These decreases were partially offset by significantly improved emerging markets results due to improved trading conditions across regions and higher financing activity.

#### Equity sales and trading

**YoY: Down 18% from CHF 1,368 million to CHF 1,119 million**

The decrease was driven by less favorable trading conditions, specifically a low volatility and low volume environment, resulting in reduced client activity. We had substantially lower revenues from systematic market making, reflecting significantly less favorable trading conditions compared to 2Q13, which included the positive impact of quantitative easing in Japan. We also had lower derivatives revenues, as a significant decline in volatility resulted in weaker client activity, particularly in our US flow businesses, and 2Q13 results benefitted from strong performance in Asia and the US. Cash equities revenues declined significantly, as reduced commission revenues, reflecting lower global market volumes, more than offset market share gains in the US. We had solid prime services results, reflecting continued market leadership, increased activity in Europe and growth in client clearing services.

**QoQ: Down 7% from CHF 1,207 million to CHF 1,119 million**

The decline was primarily driven by lower derivatives revenues following a strong 1Q14 performance. We also had lower results from systematic market making, driven by less favorable trading conditions. Cash equities revenues were higher, reflecting improved trading conditions in Latin America. We also had solid results in prime services, driven by increased revenues from the European dividend season.

### Operating expenses

#### Compensation and benefits

**YoY: Up 3% from CHF 1,438 million to CHF 1,476 million**

Compensation and benefits increased, driven by higher deferred compensation expense, as new award accruals more than offset roll-offs from prior year awards. We also had higher discretionary compensation expense, reflecting a change in the variable compensation accrual methodology.

**QoQ: Stable at CHF 1,476 million**

We had lower deferred compensation expense from prior-year awards and lower discretionary compensation expense. The decreases were offset by higher employee benefits and higher salaries.

#### General and administrative expenses

**YoY: Down 9% from CHF 758 million to CHF 688 million**

The decrease was driven by lower technology costs and lower UK bank levy expenses.

**QoQ: Down 6% from CHF 735 million to CHF 688 million**

The decrease was driven by lower technology costs and lower UK bank levy expenses.

## Non-strategic results

### OVERVIEW

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

In 2Q14, we continued the wind-down of the non-strategic unit, including the reduction of Basel III risk-weighted assets and Swiss leverage exposure. We reported a loss before taxes of CHF 282 million and net revenue losses of CHF 53 million. The smaller loss reflected portfolio net valuation gains and improved funding costs from proactive management of both our legacy debt instruments and trading assets. Total operating expenses increased compared to both 2Q13 and 1Q14, driven by higher litigation provisions.

As of the end of 2Q14, we reported Basel III risk-weighted assets of USD 13 billion, down USD 7 billion, or 35%, from 2Q13. Additionally, we have reduced Basel III risk-weighted assets by USD 6 billion, or 32%, from 1Q14. This compares to our risk-weighted assets target of USD 6 billion by year-end 2015. We reported Swiss leverage exposure of USD 72 billion, a reduction of USD 21 billion, or 23%, from 2Q13 and a reduction of USD 3 billion, or 4%, from 1Q14. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(53)** | **(147)** | **(204)** | (64) | (74) | **(200)** | **(276)** | (28) |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) | **0** | **2** | (100) |
| Compensation and benefits | 23 | 26 | 28 | (12) | (18) | 49 | 54 | (9) |
| Total other operating expenses | 206 | 124 | 180 | 66 | 14 | 330 | 328 | 1 |
| of which litigation | 157 | 65 | 128 | 142 | 23 | 222 | 228 | (3) |
| **Total operating expenses** | **229** | **150** | **208** | 53 | 10 | **379** | **382** | (1) |
| **Loss before taxes** | **(282)** | **(297)** | **(413)** | (5) | (32) | **(579)** | **(660)** | (12) |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | (44) | (55) | (32) | (20) | 38 | (99) | (26) | 281 |
| Legacy rates business | 5 | (26) | (7) | – | – | (21) | 21 | – |
| Legacy funding costs | (35) | (46) | (98) | (24) | (64) | (81) | (194) | (58) |
| Other | 21 | (20) | (67) | – | – | 1 | (77) | – |
| **Net revenues** | **(53)** | **(147)** | **(204)** | (64) | (74) | **(200)** | **(276)** | (28) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 11,536 | 16,436 | 19,159 | (30) | (40) | 11,536 | 19,159 | (40) |
| Risk-weighted assets – Basel III (USD) | 13,009 | 18,607 | 20,249 | (30) | (36) | 13,009 | 20,249 | (36) |
| Total assets | 23,714 | 23,662 | 29,743 | 0 | (20) | 23,714 | 29,743 | (20) |
| Swiss leverage exposure | 63,785 | 66,521 | 88,104 | (4) | (28) | 63,785 | 88,104 | (28) |

The following provides a comparison of our non-strategic 2Q14 results versus 2Q13 (YoY) and versus 1Q14 (QoQ).

### Net revenues

**YoY: From CHF (204) million to CHF (53) million**

We had lower losses, reflecting net valuation gains in our portfolio and lower funding costs from proactive management of both our legacy debt instruments and trading assets.

**QoQ: From CHF (147) million to CHF (53) million**

We had lower losses, reflecting net valuation gains in our portfolio and lower funding costs from proactive management of both our legacy debt instruments and trading assets.

### Total operating expenses

**YoY: Up 10% from CHF 208 million to CHF 229 million**

The increase was driven by significantly higher litigation provisions, primarily in connection with mortgage-related matters.

**QoQ: Up 53% from CHF 150 million to CHF 229 million**

The increase was driven by significantly higher litigation provisions, primarily in connection with mortgage-related matters.

# Corporate Center

In 2Q14, we recorded a loss before taxes of CHF 373 million, primarily reflecting business realignment costs and IT architecture simplification expenses.

## RESULTS OVERVIEW

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

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at fair value, certain business realignment costs, IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit.

In **2Q14**, losses before taxes of CHF 373 million increased 185% compared to 2Q13, mainly reflecting a fair value loss from movements in own credit spreads of CHF 10 million in 2Q14 compared to fair value gains of CHF 130 million in 2Q13. Fair value losses of CHF 29 million on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. The higher losses in 2Q14 results also reflected higher IT architecture simplification expenses of CHF 81 million in 2Q14 compared to CHF 19 million in 2Q13.

### Corporate Center results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **45** | **(187)** | **11** | – | 309 | **(142)** | **(194)** | (27) |
| **Provision for credit losses** | **0** | **1** | **1** | (100) | (100) | **1** | **1** | 0 |
| Compensation and benefits | 235 | 166 | 95 | 42 | 147 | 401 | 221 | 81 |
| General and administrative expenses | 183 | 97 | 41 | 89 | 346 | 280 | 66 | 324 |
| Commission expenses | 0 | (12) | 5 | 100 | (100) | (12) | 25 | – |
| Total other operating expenses | 183 | 85 | 46 | 115 | 298 | 268 | 91 | 195 |
| **Total operating expenses** | **418** | **251** | **141** | 67 | 196 | **669** | **312** | 114 |
| **Loss before taxes** | **(373)** | **(439)** | **(131)** | (15) | 185 | **(812)** | **(507)** | 60 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 15,433 | 15,899 | 16,319 | (3) | (5) | 15,433 | 16,319 | (5) |
| Total assets | 42,509 | 31,220 | 31,852 | 36 | 33 | 42,509 | 31,852 | 33 |
| Swiss leverage exposure | 42,675 | 32,184 | 44,520 | 33 | (4) | 42,675 | 44,520 | (4) |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and Non-strategic results

| | Strategic results | | | Non-strategic results | | | Corporate Center | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **(3)** | **(41)** | **(41)** | **48** | **(146)** | **52** | **45** | **(187)** | **11** |
| **Provision for credit losses** | **0** | **1** | **1** | **0** | **0** | **0** | **0** | **1** | **1** |
| Compensation and benefits | 70 | 77 | 18 | 165 | 89 | 77 | 235 | 166 | 95 |
| Total other operating expenses | 76 | 30 | 35 | 107 | 55 | 11 | 183 | 85 | 46 |
| **Total operating expenses** | **146** | **107** | **53** | **272** | **144** | **88** | **418** | **251** | **141** |
| **Loss before taxes** | **(149)** | **(149)** | **(95)** | **(224)** | **(290)** | **(36)** | **(373)** | **(439)** | **(131)** |

## Corporate Center – non-strategic results

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **48** | **(146)** | **52** | – | (8) | **(98)** | **(146)** | (33) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **272** | **144** | **88** | 89 | 209 | **416** | **170** | 145 |
| **Loss before taxes** | **(224)** | **(290)** | **(36)** | (23) | – | **(514)** | **(316)** | 63 |
| of which fair value impact from movements in own credit spreads | (10) | (120) | 130 | (92) | – | (130) | 50 | – |
| of which realignment costs [1] | (136) | (62) | (133) | 119 | 2 | (198) | (225) | (12) |
| of which IT architecture simplification expenses | (81) | (61) | (19) | 33 | 326 | (142) | (19) | – |
| of which real estate sales | 5 | 34 | – | (85) | – | 39 | – | – |
| of which legacy funding costs [2] | (22) | (6) | (22) | 267 | – | (28) | (43) | (35) |
| of which reclassifications to discontinued operations [3] | 10 | (56) | 5 | – | 100 | (46) | (12) | 283 |
| of which other non-strategic items | 10 | (19) | 3 | – | 233 | (9) | (67) | (87) |

1 Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
2 Represents legacy funding costs associated with non-Basel III compliant debt instruments.
3 Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and CFIG businesses and the announced sale of domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **(10)** | **(120)** | **130** | **(130)** | **50** |
| of which fair value gains/(losses) on own long-term vanilla debt | (29) | (92) | 17 | (121) | (20) |
| of which fair value gains/(losses) from DVA on structured notes | 4 | (4) | 79 | 0 | 38 |
| of which fair value gains/(losses) on stand-alone derivatives | 15 | (24) | 34 | (9) | 32 |

# Assets under management

We had net asset inflows from continuing operations of CHF 10.7 billion during 2Q14 and assets under management from continuing operations of CHF 1,319.6 billion as of the end of 2Q14.

### Assets under management

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

Assets under management from continuing operations of CHF 1,319.6 billion increased CHF 38.5 billion or 3.0% compared to the end of 1Q14, driven mainly by positive market movements, net new assets and favorable foreign exchange-related movements. Compared to the end of 2Q13, assets under management from continuing operations were CHF 74.2 billion higher, primarily reflecting positive market movements and net new assets of CHF 38.4 billion, partially offset by adverse foreign exchange-related movements.

▸ Refer to “Private Banking & Wealth Management” in I – Credit Suisse results and “Note 37 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Assets under management and client assets

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Assets under management (CHF billion)** | | | | | | | |
| Wealth Management Clients | 829.7 | 804.9 | 790.7 | 782.3 | 3.1 | 4.9 | 6.1 |
| Corporate & Institutional Clients | 261.4 | 254.4 | 250.0 | 238.3 | 2.8 | 4.6 | 9.7 |
| Asset Management | 377.1 | 363.4 | 352.3 | 346.1 | 3.8 | 7.0 | 9.0 |
| Non-strategic | 25.9 | 25.9 | 44.4 | 83.8 | 0.0 | (41.7) | (69.1) |
| Assets managed across businesses [1] | (164.4) | (156.1) | (155.0) | (153.9) | 5.3 | 6.1 | 6.8 |
| **Assets under management** | **1,329.7** | **1,292.5** | **1,282.4** | **1,296.6** | **2.9** | **3.7** | **2.6** |
| of which continuing operations | 1,319.6 | 1,281.1 | 1,253.4 | 1,245.4 | 3.0 | 5.3 | 6.0 |
| of which discontinued operations | 10.1 | 11.4 | 29.0 | 51.2 | (11.4) | (65.2) | (80.3) |
| **Assets under management from continuing operations** | **1,319.6** | **1,281.1** | **1,253.4** | **1,245.4** | **3.0** | **5.3** | **6.0** |
| of which discretionary assets | 421.0 | 410.7 | 397.6 | 387.6 | 2.5 | 5.9 | 8.6 |
| of which advisory assets | 898.6 | 870.4 | 855.8 | 857.8 | 3.2 | 5.0 | 4.8 |
| **Client assets (CHF billion)** | | | | | | | |
| Wealth Management Clients | 953.6 | 917.8 | 904.5 | 886.9 | 3.9 | 5.4 | 7.5 |
| Corporate & Institutional Clients | 352.3 | 362.8 | 353.3 | 336.9 | (2.9) | (0.3) | 4.6 |
| Asset Management | 377.1 | 363.4 | 352.3 | 346.1 | 3.8 | 7.0 | 9.0 |
| Non-strategic | 32.8 | 32.4 | 51.8 | 87.2 | 1.2 | (36.7) | (62.4) |
| Assets managed across businesses [1] | (164.4) | (156.1) | (155.0) | (153.9) | 5.3 | 6.1 | 6.8 |
| **Client Assets** | **1,551.4** | **1,520.3** | **1,506.9** | **1,503.2** | **2.0** | **3.0** | **3.2** |
| of which continuing operations | 1,540.4 | 1,508.5 | 1,477.5 | 1,451.6 | 2.1 | 4.3 | 6.1 |
| of which discontinued operations | 11.0 | 11.8 | 29.4 | 51.6 | (6.8) | (62.6) | (78.7) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

### Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

### Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets from continuing operations of CHF 10.7 billion in 2Q14.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 7.4 billion in 2Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, and Switzerland, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.6 billion in 2Q14. Asset Management reported net new assets of CHF 4.1 billion in 2Q14, driven by inflows in traditional products, with substantial contributions from index strategies, and inflows from hedge funds and credit products. In our non-strategic portfolio, net asset outflows of CHF 1.7 billion reflected our exit of certain businesses, of which CHF 0.6 billion were classified as discontinued operations.

## Growth in assets under management

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets from continuing operations** | **10.7** | **14.7** | **8.7** | **25.4** | **23.1** |
| Net new assets from discontinued operations | (0.6) | (1.0) | (1.1) | (1.6) | (3.5) |
| **Net new assets** | **10.1** | **13.7** | **7.6** | **23.8** | **19.6** |
| of which Wealth Management Clients | 7.4 | 10.6 | 7.7 | 18.0 | 13.4 |
| of which Corporate & Institutional Clients | 0.6 | 0.4 | (0.2) | 1.0 | 4.3 |
| of which Asset Management [1] | 4.1 | 6.9 | 2.6 | 11.0 | 11.1 |
| of which non-strategic | (1.7) | (2.3) | (1.4) | (4.0) | (3.7) |
| of which assets managed across businesses [2] | (0.3) | (1.9) | (1.1) | (2.2) | (5.5) |
| **Other effects from continuing operations** | **27.8** | **13.0** | **(21.9)** | **40.8** | **24.5** |
| Other effects from discontinued operations | (0.7) | (16.6) | (0.7) | (17.3) | 1.7 |
| **Other effects** | **27.1** | **(3.6)** | **(22.6)** | **23.5** | **26.2** |
| of which Wealth Management Clients | 17.4 | 3.6 | (19.8) | 21.0 | 10.9 |
| of which Corporate & Institutional Clients | 6.4 | 4.0 | (0.2) | 10.4 | 10.2 |
| of which Asset Management | 9.6 | 4.2 | (3.5) | 13.8 | 9.7 |
| of which non-strategic | 1.7 | (16.2) | (0.2) | (14.5) | 2.8 |
| of which assets managed across businesses [2] | (8.0) | 0.8 | 1.1 | (7.2) | (7.4) |
| **Growth in assets under management from continuing operations** | **38.5** | **27.7** | **(13.2)** | **66.2** | **47.6** |
| Growth in assets under management from discontinued operations | (1.3) | (17.6) | (1.8) | (18.9) | (1.8) |
| **Growth in assets under management** | **37.2** | **10.1** | **(15.0)** | **47.3** | **45.8** |
| of which Wealth Management Clients | 24.8 | 14.2 | (12.1) | 39.0 | 24.3 |
| of which Corporate & Institutional Clients | 7.0 | 4.4 | (0.4) | 11.4 | 14.5 |
| of which Asset Management [1] | 13.7 | 11.1 | (0.9) | 24.8 | 20.8 |
| of which non-strategic | 0.0 | (18.5) | (1.6) | (18.5) | (0.9) |
| of which assets managed across businesses [2] | (8.3) | (1.1) | 0.0 | (9.4) | (12.9) |

## Growth in assets under management (continued)

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.3** | **4.7** | **2.8** | **4.1** | **3.9** |
| Net new assets from discontinued operations | (21.1) | (13.8) | (8.3) | (11.0) | (13.2) |
| **Net new assets** | **3.1** | **4.3** | **2.3** | **3.7** | **3.1** |
| of which Wealth Management Clients | 3.7 | 5.4 | 3.9 | 4.6 | 3.5 |
| of which Corporate & Institutional Clients | 0.9 | 0.6 | (0.3) | 0.8 | 3.8 |
| of which Asset Management [1] | 4.5 | 7.8 | 3.0 | 6.3 | 6.8 |
| of which non-strategic | (26.3) | (20.7) | (6.6) | (18.0) | (8.7) |
| of which assets managed across businesses [2] | 0.8 | 4.9 | 2.9 | 2.8 | 7.8 |
| **Other effects from continuing operations** | **8.7** | **4.1** | **(7.0)** | **6.5** | **4.0** |
| Other effects from discontinued operations | (24.5) | (229.0) | (5.3) | (119.3) | 6.4 |
| **Other effects** | **8.4** | **(1.1)** | **(6.9)** | **3.7** | **4.2** |
| of which Wealth Management Clients | 8.6 | 1.8 | (10.0) | 5.3 | 2.9 |
| of which Corporate & Institutional Clients | 10.1 | 6.4 | (0.4) | 8.3 | 9.2 |
| of which Asset Management | 10.6 | 4.8 | (4.0) | 7.8 | 6.0 |
| of which non-strategic | 26.3 | (146.0) | (0.9) | (65.3) | 6.6 |
| of which assets managed across businesses [2] | 20.5 | (2.1) | (2.9) | 9.3 | 10.5 |
| **Growth in assets under management continuing operations** | **12.0** | **8.8** | **(4.2)** | **10.6** | **7.9** |
| Growth in assets under management from discontinued operations | (45.6) | (242.8) | (13.6) | (130.3) | (6.8) |
| **Growth in assets under management** | **11.5** | **3.2** | **(4.6)** | **7.4** | **7.3** |
| of which Wealth Management Clients | 12.3 | 7.2 | (6.1) | 9.9 | 6.4 |
| of which Corporate & Institutional Clients | 11.0 | 7.0 | (0.7) | 9.1 | 13.0 |
| of which Asset Management [1] | 15.1 | 12.6 | (1.0) | 14.1 | 12.8 |
| of which non-strategic | 0.0 | (166.7) | (7.5) | (83.3) | (2.1) |
| of which assets managed across businesses [2] | 21.3 | 2.8 | 0.0 | 12.1 | 18.3 |
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.1** | **2.9** | **3.1** | – | – |
| Net new assets from discontinued operations | (4.1) | (4.9) | (7.8) | – | – |
| **Net new assets** | **2.8** | **2.6** | **2.6** | **–** | **–** |
| of which Wealth Management Clients | 3.0 | 3.0 | 3.1 | – | – |
| of which Corporate & Institutional Clients | 2.3 | 2.0 | 2.5 | – | – |
| of which Asset Management [1] | 4.3 | 3.9 | 4.3 | – | – |
| of which non-strategic | 0.9 | 1.4 | 3.5 | – | – |
| of which Assets managed across businesses [2] | 0.0 | 0.0 | 0.0 | – | – |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Net new assets (CHF billion)** | | | | | |
| Wealth Management Clients | 7.4 | 10.6 | 7.7 | 18.0 | 13.4 |
| Corporate & Institutional Clients | 0.6 | 0.4 | (0.2) | 1.0 | 4.3 |
| Asset Management | 4.1 | 6.9 | 2.6 | 11.0 | 11.1 |
| Non-strategic | (1.7) | (2.3) | (1.4) | (4.0) | (3.7) |
| Assets managed across businesses [1] | (0.3) | (1.9) | (1.1) | (2.2) | (5.5) |
| **Net new assets** | **10.1** | **13.7** | **7.6** | **23.8** | **19.6** |
| of which continuing operations | 10.7 | 14.7 | 8.7 | 25.4 | 23.1 |
| of which discontinued operations | (0.6) | (1.0) | (1.1) | (1.6) | (3.5) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

# II

# Treasury, risk, balance sheet and off-balance sheet

# Liquidity and funding management

During 2Q14, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

**Overview**

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Our internal liquidity risk management framework is subject to review and monitoring by the FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 for further information on liquidity and funding management.

**Liquidity risk management framework**

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, well in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum target.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR).

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and, once it becomes effective, should always be at least 100%.

Although the NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the BCBS and FINMA, we began using the NSFR in 2012 as one of our primary tools, in parallel with the liquidity barometer, to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. We estimate that our NSFR under the current FINMA framework was approximately 100% as of the end of 2Q14. Our estimate is based on the definitions and methodologies outlined in the aforementioned BCBS Basel III international framework for liquidity risk measurement, standards and monitoring issued in December 2010, the Liquidity ordinance discussed below implementing the Basel III liquidity requirements into Swiss law, and other guidance and requirements of FINMA. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions which may not be consistent with those of other financial institutions or what may ultimately be required by the BCBS and FINMA. The NSFR is based on regulatory metrics, the disclosure of which is not yet required, and, as such, it represents a non-GAAP financial measure.

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The BCBS also proposed revisions to the NSFR, which are expected to become the minimum standard by the previously announced date of January 1, 2018.

In June 2014, the Swiss Federal Council approved proposed revisions to a liquidity ordinance, adopted in November 2012 (Liquidity ordinance), which requires Swiss banks to maintain a specified liquidity standard and implements Basel III liquidity requirements into Swiss law. The purpose of the revisions is to reflect the final Basel III LCR rules in the Liquidity ordinance. Pursuant to the revisions, all Swiss banks will be subject to an LCR requirement. Systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015, while other banks will be subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. The revisions will enter into force on January 1, 2015. Following these revisions, beginning in 2Q14 the majority of the balance sheet usage related to a portfolio of high-quality liquid assets managed by our Treasury function and previously recorded in the Corporate Center has been allocated to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

Our revised liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

### Funding sources and uses

We fund our balance sheet primarily through core customer deposits, long-term debt and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

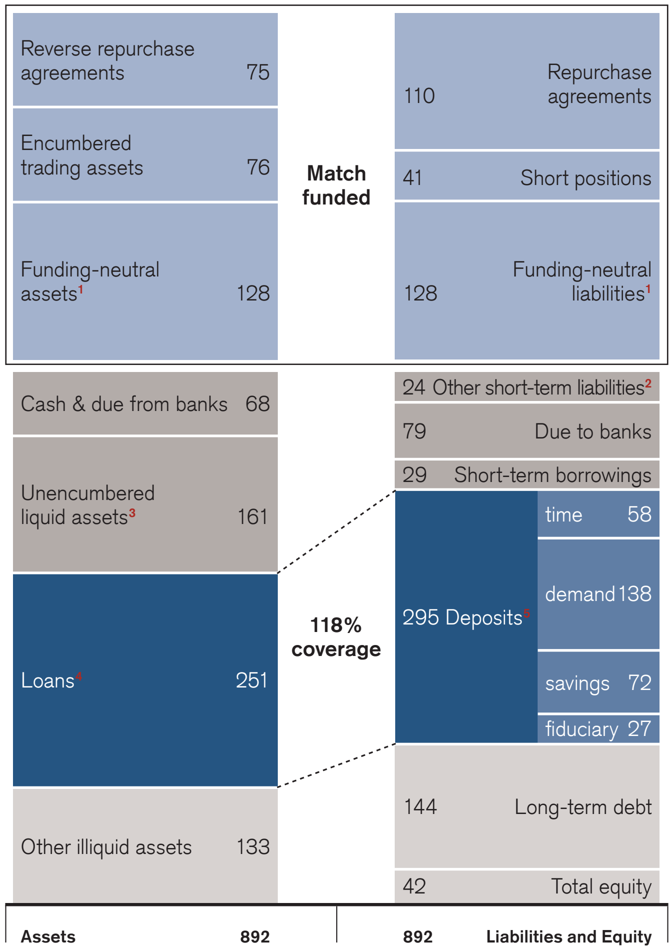
Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

These assets include our liquidity pool, which as of the end of 2Q14 based on our internal model was CHF 153 billion, net of a stress test level haircut. The liquidity pool consisted of CHF 47 billion of cash held at major central banks, primarily the Fed, SNB and the ECB, CHF 70 billion of securities issued by governments and government agencies, primarily of the US, Britain and France and CHF 36 billion of other highly liquid assets including equity securities that form part of major indices. As of June 30, 2014, our internal model included the application of a stress test level average haircut equal to approximately 35% of the market value of non-cash positions in the liquidity pool, a decrease compared to prior periods reflecting a refinement in the calculation through elimination of certain loan balances which had previously received a 100% haircut. The haircut reflects our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 18% as of the end of 2Q14 compared to 22% as of the end of 1Q14, reflecting a slight increase in loans and a slight decrease in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as a haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

### Balance sheet funding structure

as of June 30, 2014 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

Our core customer deposits totaled CHF 295 billion as of the end of 2Q14 compared to CHF 301 billion as of the end of 1Q14, reflecting a stable customer deposit base in Private Banking & Wealth Management. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet and off-balance sheet" for further information.

## Liquidity pool

| June 30, 2014 | Swiss franc | US dollar | Euro | Other currencies | Total |
|---|---|---|---|---|---|
| **Liquidity pool by currencies (CHF billion)** | | | | | |
| Cash held at central banks | 20.7 | 23.7 | 1.8 | 0.6 | 46.8 |
| Government bonds | 2.5 | 43.5 | 10.0 | 14.3 | 70.3 [1] |
| Fixed income securities | 1.6 | 7.0 | 0.6 | 5.4 | 14.6 |
| Liquid equity securities | - | 15.0 | - | 6.2 | 21.2 |
| **Total liquidy pool (based on internal model)** | **24.8** | **89.2** | **12.4** | **26.5** | **152.9** |

[1] Includes reverse repurchases of government bonds of CHF 24.6 billion.

### Debt issuances and redemptions

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

The table below provides information on long-term debt issuances, maturities and redemptions in 2Q14, excluding structured notes.

## Debt issuances and redemptions

| in 2Q14 | Senior | Subordinated | Long-term debt |
|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | |
| **Issuances** | **9.1** | **2.2** | **11.3** |
| of which unsecured | 9.1 | 2.2 | 11.3 |
| **Maturities / Redemptions** | **3.9** | **–** | **3.9** |
| of which unsecured | 3.8 | – | 3.8 |
| of which secured [1] | 0.1 | – | 0.1 |

Excludes structured notes.

[1] Includes covered bonds.

As of the end of 2Q14, we had outstanding long-term debt of CHF 144 billion, which included senior and subordinated instruments. We had CHF 41.7 billion and CHF 16.8 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2Q14 compared to CHF 38.4 billion and CHF 16.9 billion, respectively, as of 1Q14.

‣ Refer to "Capital issuances and redemptions" in Capital management for information on issuances of capital notes, all of which constitute subordinated debt instruments.

As of the end of 2Q14, the weighted average maturity of long-term debt was 6.6 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings increased 22% to CHF 29.4 billion as of the end of 2Q14 compared to CHF 24.2 billion in 1Q14.

### Credit ratings

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.2 billion, CHF 2.9 billion and CHF 4.0 billion, respectively, as of the end of 2Q14, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

As of the end of 2Q14, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

‣ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management in the Credit Suisse Annual Report 2013 for further information.

# Capital management

As of the end of 2Q14, our CET1 ratio was 13.8% under Basel III and 9.5% on a look-through basis. Our RWA under Basel III were CHF 285.4 billion and our Swiss leverage ratio was 4.8%.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

‣ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2013 for further information.

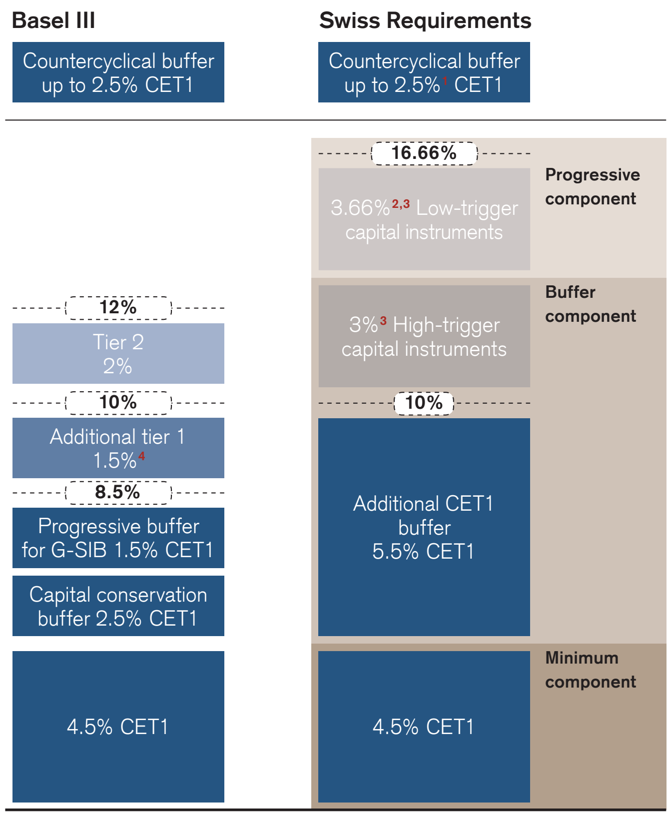
### Capital structure under Basel III

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

‣ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Capital frameworks for Credit Suisse




[1] As of June 30, 2014, banks are required to hold CET1 capital in the amount of 2% of RWA pertaining to mortgage loans that finance residential property in Switzerland.
[2] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2015, FINMA increased our 2019 progressive component requirement from 3.66% to 4.05% due to the latest assessment of relevant market shares.
[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.
[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

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

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

## Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | |
| CET1 | 4.0% [1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **4.0%** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Total tier 1** | **5.5%** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 2.5% [1] | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | 20.0% [1] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase-out | Phased out over a 10-year horizon beginning 2013 through 2022 | | | | | |

[1] Indicates phase-in period.
[2] Includes goodwill, other intangible assets, certain deferred tax assets and participations in financial institutions.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through January 1, 2019.

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

### Swiss Requirements

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

▸ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

▸ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

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

The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. Effective in 2014, FINMA set our progressive component requirement at 3.66% for 2019. On July 28, 2014, FINMA notified us that, effective in 2015, the progressive component requirement for 2019 will be increased from 3.66% to 4.05% due to the latest assessment of relevant market shares. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

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

Federal Council increased the countercyclical buffer from 1% to 2%, effective June 30, 2014. As of the end of 2Q14, our countercyclical buffer was CHF 299 million, which is equivalent to an additional requirement of 0.10% of CET1 capital.

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

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

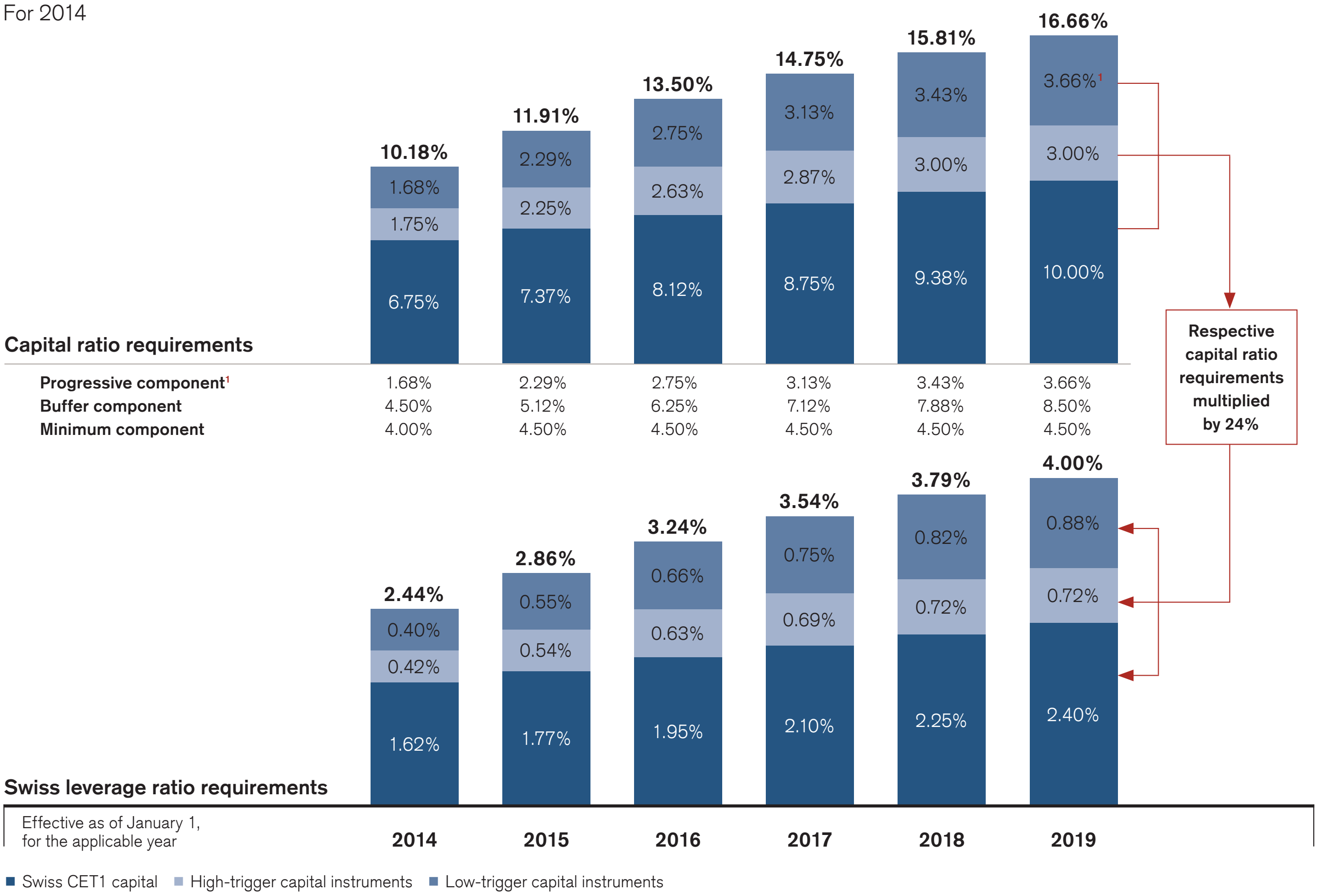
▸ Refer to “Capital management” in II – Treasury, risk, balance sheet and off-balance sheet in the Financial Report 1Q14 for further information on the FINMA Decree.

Beginning in 1Q14, we adjusted the presentation of our Swiss capital metrics and terminology and we now refer to Swiss Core Capital as Swiss CET1 capital and Swiss Total Capital as Swiss total eligible capital. Swiss Total Capital previously reflected the tier 1 participation securities, which were fully redeemed in 1Q14. Swiss CET1 capital consists of BIS CET1 capital and certain other Swiss adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments and additional tier 1 instruments and tier 2 instruments subject to phase-out and phase-in deductions from CET1.

We must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse

For 2014




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

[1] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2015, FINMA increased our 2019 progressive component requirement from 3.66% to 4.05% due to the latest assessment of relevant market shares, which leads to a total capital ratio requirement of 17.05% and a Swiss leverage ratio requirement of 4.09%.

### Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed Value-at-Risk (VaR), risks not in VaR, comprehensive risk measure framework and advanced credit valuation adjustment (CVA).

FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 2Q14, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to “Risk measurement models” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

▸ Refer to “Market risk” in Risk management for further information on Credit Suisse’s risk measurement models and backtesting exceptions.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In June 2014, FINMA released a draft circular regarding the implementation of the leverage ratio requirements in Switzerland in response to the BCBS publication of the framework and disclosure requirements for the Basel III leverage ratio. The required Basel III leverage ratio, which seeks to measure tier 1 capital against exposure, is expected to be at least 3%. Although the effective date of the Basel III leverage ratio is not until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators.

In April 2014, the BCBS finalized its large exposures framework standard, with implementation required by January 1, 2019. The standard calls for a limit on all of a bank’s exposures to a single counterparty. In the case of G-SIBs like us, the limit is 15% of tier 1 capital.

Also in April 2014, the BCBS published its final standard for the capital treatment of bank exposures to central counterparties. Disclosure requirements will be effective in January 2017. The standard introduces a cap on capital charges applied to bank exposures to qualifying central counterparties.

In accordance with BCBS’s G-SIB loss absorbency requirements and FINMA’s capital adequacy disclosure requirements, banks with a balance sheet exceeding EUR 200 billion must publish annually 12 financial indicators, such as size and complexity. Depending on these financial indicators, the FSB will set the progressive buffer for G-SIBs. The reporting requirement became effective December 31, 2013 and we included the required disclosures as of such date on our web site as required before April 30, 2014.

## CAPITAL ISSUANCES AND REDEMPTIONS

In June 2014, we issued USD 2.5 billion 6.25% tier 1 capital notes.

### Higher Trigger Capital Amount

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion or write down is referred to as the Higher Trigger Capital Amount.

With respect to the capital instruments that specify a 5.125% trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 8.3 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 2.9%, both as of the end of 2Q14.

With respect to the capital instruments that specify a 5% trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 12.8 billion and the Higher Trigger Capital Ratio was 4.5%, both as of the end of 2Q14.

▸ Refer to the table “BIS statistics – Basel III – Group” for further information on the BIS statistics used to calculate such measures.

▸ Refer to “Capital issuances and redemptions” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information on Higher Trigger Capital Amount.

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 13.8% as of the end of 2Q14, compared to 14.3% as of the end of 1Q14, reflecting a decrease in CET1 capital. Our tier 1 ratio was 16.0% as of the end of 2Q14, compared to 15.6% as of the end of 1Q14. Our total capital ratio increased to 19.5% as of the end of 2Q14 compared to 19.1% as of the end of 1Q14.

CET1 capital was CHF 39.5 billion as of the end of 2Q14 compared to CHF 40.9 billion as of the end of 1Q14, mainly reflecting the net loss and the net effect of share-based compensation. CET1 capital was also impacted by a quarterly dividend accrual.

Additional tier 1 capital increased to CHF 6.1 billion, mainly due to the issuance of the USD 2.5 billion 6.25% tier 1 capital notes in June 2014. Tier 2 capital increased slightly to CHF 10.1 billion as of the end of 2Q14.

Total eligible capital was CHF 55.6 billion as of the end of 2Q14 compared to CHF 54.6 billion as of the end of 1Q14, reflecting the increase in additional tier 1 capital, partially offset by the decrease in CET1 capital.

We reported a look-through CET1 ratio of 9.5% as of the end of 2Q14, compared to a year-end target of 10.0% and a long-term target of 11.0%. As of the end of 2Q14, the look-through total capital ratio was 15.4%, compared to 15.1% as of the end of 1Q14.

## BIS statistics – Basel III – Group

| | | | | Phase-in | | | | Look-through |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q14** | 1Q14 | 4Q13 | % change QoQ | **2Q14** | 1Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 40,944 | 43,230 | 42,164 | (5) | 40,944 | 43,230 | 42,164 | (5) |
| Regulatory adjustments [1] | (362) | (1,213) | (1,069) | (70) | (362) | (1,213) | (1,069) | (70) |
| Adjustments subject to phase-in | (1,129) [2] | (1,114) | 1,894 [3] | 1 | (14,163) | (14,159) | (14,615) | 0 |
| **CET1 capital** | **39,453** | **40,903** | **42,989** | (4) | **26,419** | **27,858** | **26,480** | (5) |
| Additional tier 1 instruments | 10,282 [4] | 8,000 | 7,484 | 29 | 10,282 | 8,000 | 7,484 | 29 |
| Additional tier 1 instruments subject to phase-out [5] | 2,138 | 2,088 | 3,652 | 2 | – | – | – | – |
| Deductions from additional tier 1 capital | (6,336) [6] | (6,414) | (8,064) | (1) | – | – | – | – |
| **Additional tier 1 capital** | **6,084** | **3,674** | **3,072** | 66 | **10,282** | **8,000** | **7,484** | 29 |
| **Total tier 1 capital** | **45,537** | **44,577** | **46,061** | 2 | **36,701** | **35,858** | **33,964** | 2 |
| Tier 2 instruments | 6,409 [7] | 6,340 | 6,263 | 1 | 6,409 | 6,340 | 6,263 | 1 |
| Tier 2 instruments subject to phase-out | 3,944 | 3,924 | 4,321 | 1 | – | – | – | – |
| Deductions from tier 2 capital | (253) | (263) | (357) | (4) | (1) | (2) | (18) | (50) |
| **Tier 2 capital** | **10,100** | **10,001** | **10,227** | 1 | **6,408** | **6,338** | **6,245** | 1 |
| **Total eligible capital** | **55,637** | **54,578** | **56,288** | 2 | **43,109** | **42,196** | **40,209** | 2 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 187,967 | 187,609 | 175,631 | 0 | 181,715 | 181,307 | 167,888 | 0 |
| Market risk | 32,704 | 34,143 | 39,133 | (4) | 32,704 | 34,143 | 39,133 | (4) |
| Operational risk | 59,050 | 58,400 | 53,075 | 1 | 59,050 | 58,400 | 53,075 | 1 |
| Non-counterparty risk | 5,700 | 5,844 | 6,007 | (2) | 5,700 | 5,844 | 6,007 | (2) |
| **Risk-weighted assets** | **285,421** | **285,996** | **273,846** | 0 | **279,169** | **279,694** | **266,103** | 0 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 13.8 | 14.3 | 15.7 | – | 9.5 | 10.0 | 10.0 | – |
| Tier 1 ratio | 16.0 | 15.6 | 16.8 | – | 13.1 | 12.8 | 12.8 | – |
| Total capital ratio | 19.5 | 19.1 | 20.6 | – | 15.4 | 15.1 | 15.1 | – |

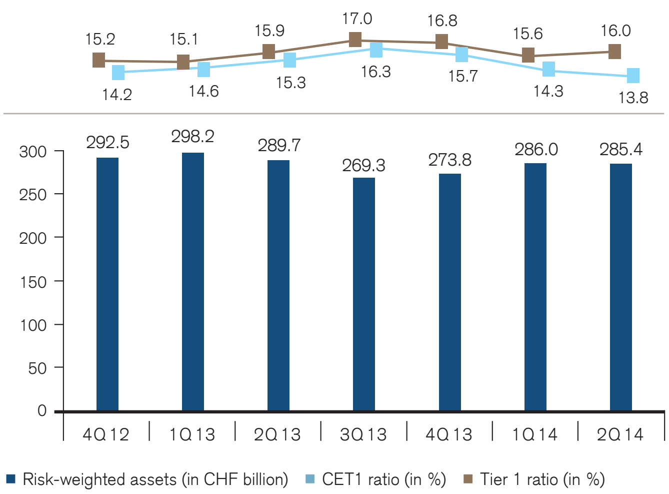
1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.5 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 80% of goodwill and other intangible assets (CHF 6.5 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
7 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.9 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## BIS statistics – Basel III – Bank

| end of | 2Q14 | 1Q14 | 4Q13 | Phase-in % change QoQ |
|---|---|---|---|---|
| **Eligible capital (CHF million)** | | | | |
| Total shareholders' equity | 39,199 | 41,062 | 39,992 | (5) |
| Regulatory adjustments [1] | (2,852) | (2,493) | (3,504) | 14 |
| Adjustments subject to phase-in | (1,491) [2] | (1,440) | 1,540 [3] | 4 |
| **CET1 capital** | **34,856** | **37,129** | **38,028** | (6) |
| Additional tier 1 instruments | 9,500 [4] | 7,135 | 6,644 | 33 |
| Additional tier 1 instruments subject to phase-out [5] | 2,138 | 2,088 | 3,652 | 2 |
| Deductions from additional tier 1 capital | (5,705) [6] | (5,679) | (7,219) | 0 |
| **Additional tier 1 capital** | **5,933** | **3,544** | **3,077** | 67 |
| **Total tier 1 capital** | **40,789** | **40,673** | **41,105** | 0 |
| Tier 2 instruments | 6,409 [7] | 6,340 | 6,263 | 1 |
| Tier 2 instruments subject to phase-out | 3,370 | 3,344 | 5,016 | 1 |
| Deductions from tier 2 capital | (235) | (244) | (318) | (4) |
| **Tier 2 capital** | **9,544** | **9,440** | **10,961** | 1 |
| **Total eligible capital** | **50,333** | **50,113** | **52,066** | 0 |
| **Risk-weighted assets (CHF million)** | | | | |
| Credit risk | 179,229 | 178,779 | 166,324 | 0 |
| Market risk | 32,676 | 34,115 | 39,111 | (4) |
| Operational risk | 59,050 | 58,400 | 53,075 | 1 |
| Non-counterparty risk | 5,449 | 5,598 | 5,758 | (3) |
| **Risk-weighted assets** | **276,404** | **276,892** | **264,268** | 0 |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 12.6 | 13.4 | 14.4 | – |
| Tier 1 ratio | 14.8 | 14.7 | 15.6 | – |
| Total capital ratio | 18.2 | 18.1 | 19.7 | – |

[1] Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
[2] Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
[4] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.7 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[5] Includes hybrid capital instruments that are subject to phase-out.
[6] Includes 80% of goodwill and other intangible assets (CHF 5.8 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[7] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.9 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Risk-weighted assets and capital ratios – Basel III




## CET1 capital movement – Basel III

| | 2Q14 | 1Q14 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **40,903** | **42,989** |
| Net income/(loss) | (700) | 859 |
| Foreign exchange impact | 44 | (233) |
| Impact of phase-in requirements | – | (3,015) |
| Other [1] | (794) | 303 |
| **Balance at end of period** | **39,453** | **40,903** |

[1] Reflects the net effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

### Other regulatory disclosures

In connection with the implementation of Basel III, additional regulatory disclosures are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, G-SIB financial indicators, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures and additional capital disclosures for the Bank parent company can be found on our website.

▸ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

### Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty risk RWA. When assessing RWA, it is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty risk RWA primarily reflect the capital requirements for our premises and equipment.

## Risk-weighted assets by division – Basel III

| | | | end of | % change |
|---|---|---|---|---|
| | 2Q14 | 1Q14 | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | | |
| Private Banking & Wealth Management | 103,537 | 101,083 | 95,507 | 2 |
| Investment Banking | 160,199 | 162,712 | 155,290 | (2) |
| Corporate Center | 21,685 | 22,201 | 23,049 | (2) |
| **Risk-weighted assets** | **285,421** | **285,996** | **273,846** | 0 |

## Risk-weighted asset movement by risk type – Basel III

| 2Q14 (CHF million) | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | Total risk-weighted assets |
|---|---|---|---|---|---|---|
| **Balance at beginning of period** | **171,067** | **16,542** | **34,143** | **58,400** | **5,844** | **285,996** |
| Foreign exchange impact | 615 | 97 | 263 | 0 | 0 | 975 |
| Movements in risk levels | (1,168) | (2,518) | (406) | 0 | (144) | (4,236) |
| of which credit risk – book size [1] | 681 | (2,090) | – | – | – | – |
| of which credit risk – book quality [2] | (1,849) | (428) | – | – | – | – |
| Model and parameter updates [3] | 376 | (565) | (853) | 3,337 | 0 | 2,295 |
| Methodology and policy – internal [4] | 3,167 | 354 | (443) | (2,062) | 0 | 1,016 |
| Methodology and policy – external [5] | 0 | 0 | 0 | (625) | 0 | (625) |
| **Balance at end of period** | **174,057** | **13,910** | **32,704** | **59,050** | **5,700** | **285,421** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.

RWA were stable at CHF 285.4 billion as of the end of 2Q14, reflecting a decrease in credit risk related to CVA and market risk largely offset by increases in credit risk (excluding CVA) and operational risk and an increase resulting from foreign exchange translation.

The decrease in **credit risk related to CVA** was primarily driven by decreases in risk levels within Investment Banking. Decreases in book size resulted from increased hedging and changes in book quality from credit spread tightening.

The decrease in **market risk** was driven by decreases relating to model and parameter updates, internal methodology changes and movements in risk levels. The decrease resulting from model and parameters was due to market data updates for stress spreads within Investment Banking. Methodology impacts were primarily driven by updates to the IRC rating migration approach. Movements in risk levels were driven by a decrease in Private Banking & Wealth Management resulting from lower stressed VaR and IRC within our securities trading business in Switzerland. Risk levels in Investment Banking were stable reflecting increases in VaR, offset by decreases in trading book securitization exposures.

The increase in **credit risk (excluding CVA)** was driven by increases from internal methodology changes partially offset by decreases in credit risk levels. Methodology changes were mainly due to the removal of initial margin benefits pending enhancements to the derivatives model in Investment Banking. The increase in credit risk levels attributed to book size was driven by increases in Private Banking & Wealth Management due to investments in asset management firms. This was partially offset by decreases in Investment Banking, which was primarily driven by the securitization of an over-the-counter (OTC) derivatives portfolio, offset by increases in lending predominantly within global credit products. The decrease in credit risk levels attributed to book quality was driven by Investment Banking resulting from decreases in average risk weighting for lending across emerging markets and leverage financing.

The increase in **operational risk** resulted from model parameter updates relating to the recent settlements of the previously outstanding FHFA and US cross-border matters. This was partially offset by internal methodology updates resulting from an agreement with FINMA to remove the limitation it had set on the capital benefit for insurance-based risk transfer. Operational risk was also impacted by external methodology updates which resulted in a decrease in the add-on component of the capital related to the aggregate range of reasonably possible litigation losses due to the reduction in the maximum value of this range.

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" for further information on Swiss regulatory requirements.

As of the end of 2Q14, our Swiss CET1 capital and Swiss total capital ratios were 13.7% and 19.4%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 26.2 billion and our Swiss CET1 ratio was 9.4% as of the end of 2Q14. Our Swiss total eligible capital was CHF 42.9 billion and our Swiss total capital ratio was 15.3% as of the end of 2Q14, each on a look-through basis.

## Swiss statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 2Q14 | 1Q14 | 4Q13 | % change QoQ | 2Q14 | 1Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 39,453 | 40,903 | 42,989 | (4) | 26,419 | 27,858 | 26,480 | (5) |
| Swiss regulatory adjustments [1] | (161) | (151) | 1,658 | 7 | (175) | (163) | 1,824 | 7 |
| **Swiss CET1 capital [2]** | **39,292** | **40,752** | **44,647** | (4) | **26,244** | **27,695** | **28,304** | (5) |
| High-trigger capital instruments | 8,259 [3] | 8,231 | 7,743 | 0 | 8,259 | 8,231 | 7,743 | 0 |
| Low-trigger capital instruments | 8,432 [4] | 6,109 | 6,005 | 38 | 8,432 | 6,109 | 6,005 | 38 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,082 | 6,012 | – | 1 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (6,589) | (6,677) | – | (1) | (1) | (2) | – | (50) |
| **Swiss total eligible capital [2]** | **55,476** | **54,427** | **58,395** | 2 | **42,934** | **42,033** | **42,052** | 2 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 285,421 | 285,996 | 273,846 | 0 | 279,169 | 279,694 | 266,103 | 0 |
| Swiss regulatory adjustments [6] | 787 | 737 | 1,015 | 7 | 786 | 736 | 1,031 | 7 |
| **Swiss risk-weighted assets** | **286,208** | **286,733** | **274,861** | 0 | **279,955** | **280,430** | **267,134** | 0 |
| **Capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 13.7 | 14.2 | 16.2 | – | 9.4 | 9.9 | 10.6 | – |
| Swiss total capital ratio | 19.4 | 19.0 | 21.2 | – | 15.3 | 15.0 | 15.7 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 5.8 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
4 Consists of CHF 4.5 billion additional tier 1 instruments and CHF 3.9 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

## Swiss statistics – Basel III – Bank

| | Phase-in | | | |
|---|---|---|---|---|
| end of | 2Q14 | 1Q14 | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | |
| CET1 capital | 34,856 | 37,129 | 38,028 | (6) |
| Swiss regulatory adjustments [1] | (96) | (90) | 1,711 | 7 |
| **Swiss CET1 capital [2]** | **34,760** | **37,039** | **39,739** | (6) |
| High-trigger capital instruments | 8,256 [3] | 8,228 | 7,743 | 0 |
| Low-trigger capital instruments | 7,653 [4] | 5,247 | 5,164 | 46 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 5,507 | 5,432 | – | 1 |
| Deductions from additional tier 1 and tier 2 capital [5] | (5,940) | (5,923) | – | 0 |
| **Swiss total eligible capital [2]** | **50,236** | **50,023** | **52,646** | 0 |
| **Risk-weighted assets (CHF million)** | | | | |
| Risk-weighted assets – Basel III | 276,404 | 276,892 | 264,268 | 0 |
| Swiss regulatory adjustments [6] | 788 | 740 | 1,020 | 6 |
| **Swiss risk-weighted assets** | **277,192** | **277,632** | **265,288** | 0 |
| **Capital ratios (%)** | | | | |
| Swiss CET1 ratio | 12.5 | 13.3 | 15.0 | – |
| Swiss total capital ratio | 18.1 | 18.0 | 19.8 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 5.8 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
4 Consists of CHF 3.7 billion additional tier 1 instruments and CHF 3.9 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

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

## Swiss capital requirements and coverage

| | Group | | | | | Bank | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q14 | Minimum component | Buffer component | Progressive component | Excess | 2Q14 |
| **Risk-weighted assets (CHF billion)** | | | | | | | | | | |
| **Swiss risk-weighted assets** | – | – | – | – | 286.2 | – | – | – | – | 277.2 |
| **2014 Swiss capital requirements** [1] | | | | | | | | | | |
| Minimum Swiss total capital ratio | 4.0% | 4.5% [2] | 1.68% | – | 10.18% | 4.0% | 4.5% [2] | 1.68% | – | 10.18% |
| Minimum Swiss total eligible capital (CHF billion) | 11.4 | 12.9 | 4.8 | – | 29.1 | 11.1 | 12.5 | 4.6 | – | 28.2 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 11.4 | 7.9 | – | 20.0 | 39.3 | 11.1 | 7.6 | – | 16.1 | 34.8 |
| High-trigger capital instruments | – | 5.0 | – | 3.3 | 8.3 | – | 4.9 | – | 3.4 | 8.3 |
| Low-trigger capital instruments | – | – | 4.8 | 3.6 | 8.4 | – | – | 4.6 | 3.0 | 7.7 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.1 | 6.1 | – | – | – | 5.5 | 5.5 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (6.6) | (6.6) | – | – | – | (5.9) | (5.9) |
| **Swiss total eligible capital** | **11.4** | **12.9** | **4.8** | **26.4** | **55.5** | **11.1** | **12.5** | **4.6** | **22.0** | **50.2** |
| **Capital ratios (%)** | | | | | | | | | | |
| Swiss total capital ratio | **4.0%** | **4.5%** | **1.68%** | **9.2%** | **19.4%** | **4.0%** | **4.5%** | **1.68%** | **7.9%** | **18.1%** |

Rounding differences may occur.
[1] The Swiss capital requirements are based on a percentage of RWA.
[2] Excludes countercyclical buffer that was required as of September 30, 2013.

### Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons. As of the end of 2Q14, our Swiss leverage ratio was 4.8% and the total average exposure was CHF 1,159.2 billion. As of the end of 2Q14, our total exposure was CHF 1,156 billion, compared to our long-term target of approximately CHF 1,000 billion.

The Group's look-through Swiss leverage ratio was 3.7% as of the end of 2Q14, compared to the 4% requirement for 2019, reflecting our progressive component requirement for 2014.

## Swiss leverage ratio – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 2Q14 | 1Q14 | 4Q13 | % change QoQ | 2Q14 | 1Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | | | |
| **Swiss total eligible capital** | **55,476** | **54,427** | **58,395** | 2 | **42,934** | **42,033** | **42,052** | 2 |
| **Exposure (CHF million)** [1] | | | | | | | | |
| Balance sheet assets | 888,069 | 879,250 | 890,242 | 1 | 888,069 | 879,250 | 890,242 | 1 |
| Off-balance sheet exposures | 144,668 | 135,500 | 133,426 | 7 | 144,668 | 135,500 | 133,426 | 7 |
| Regulatory adjustments | 126,479 | 122,813 | 130,150 | 3 | 112,592 | 108,996 | 113,596 | 3 |
| **Total average exposure** | **1,159,216** | **1,137,563** | **1,153,818** | 2 | **1,145,329** | **1,123,746** | **1,137,264** | 2 |
| **Swiss leverage ratio (%)** | | | | | | | | |
| Swiss leverage ratio | **4.8** | **4.8** | **5.1** | – | **3.7** | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## Swiss leverage ratio – Bank

| | | | | Phase-in |
|---|---|---|---|---|
| end of | 2Q14 | 1Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | |
| **Swiss total eligible capital** | **50,236** | **50,023** | **52,646** | 0 |
| **Exposure (CHF million)** [1] | | | | |
| Balance sheet assets | 869,051 | 860,940 | 872,097 | 1 |
| Off-balance sheet exposures | 143,731 | 134,878 | 132,567 | 7 |
| Regulatory adjustments | 125,255 | 121,540 | 127,795 | 3 |
| **Total average exposure** | **1,138,037** | **1,117,358** | **1,132,459** | **2** |
| **Swiss leverage ratio (%)** | | | | |
| Swiss leverage ratio | **4.4** | **4.5** | **4.6** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

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

## Swiss leverage requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2Q14 | Minimum component | Buffer component | Progressive component | Excess | 2Q14 |
| **Exposure (CHF billion)** | | | | | | | | | | |
| **Total average exposure** | **–** | **–** | **–** | **–** | **1,159.2** | **–** | **–** | **–** | **–** | **1,138.0** |
| **2014 Swiss leverage requirements** [1] | | | | | | | | | | |
| Minimum Swiss leverage ratio | 0.96% | 1.08% | 0.40% | – | 2.44% | 0.96% | 1.08% | 0.40% | – | 2.44% |
| Minimum Swiss leverage (CHF billion) | 11.1 | 12.5 | 4.7 | – | 28.3 | 10.9 | 12.3 | 4.6 | – | 27.8 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 11.1 | 7.7 | – | 20.5 | 39.3 | 10.9 | 7.5 | – | 16.3 | 34.8 |
| High-trigger capital instruments | – | 4.9 | – | 3.4 | 8.3 | – | 4.8 | – | 3.5 | 8.3 |
| Low-trigger capital instruments | – | – | 4.7 | 3.8 | 8.4 | – | – | 4.6 | 3.1 | 7.7 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.1 | 6.1 | – | – | – | 5.5 | 5.5 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (6.6) | (6.6) | – | – | – | (5.9) | (5.9) |
| **Swiss total eligible capital** | **11.1** | **12.5** | **4.7** | **27.2** | **55.5** | **10.9** | **12.3** | **4.6** | **22.4** | **50.2** |
| **Swiss leverage ratio (%)** | | | | | | | | | | |
| **Swiss leverage ratio** | **0.96%** | **1.08%** | **0.40%** | **2.34%** | **4.79%** | **0.96%** | **1.08%** | **0.40%** | **1.97%** | **4.41%** |

Rounding differences may occur.
[1] The leverage requirements are based on a percentage of total average exposure.

### Total shareholders' equity

Our total shareholders' equity decreased to CHF 40.9 billion as of the end of 2Q14 compared to CHF 43.2 billion as of the end of 1Q14. Total shareholders' equity was negatively impacted by dividend payments, transactions relating to the settlement of share-based compensation awards and the net loss. These movements were partially offset by the increases to the share-based compensation obligation and the impact of foreign exchange-related movements on cumulative translation adjustments.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

## Capital

| | | | end of | % change |
|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | QoQ |
| **Shareholders' equity (CHF million)** | | | | |
| Common shares | 64 | 64 | 64 | 0 |
| Additional paid-in capital | 26,655 | 28,406 | 27,853 | (6) |
| Retained earnings | 30,392 | 31,092 | 30,261 | (2) |
| Treasury shares, at cost | (190) | (249) | (139) | (24) |
| Accumulated other comprehensive income/(loss) | (15,977) | (16,083) | (15,875) | (1) |
| **Total shareholders' equity** | **40,944** | **43,230** | **42,164** | (5) |
| Goodwill | (7,983) | (7,956) | (7,999) | 0 |
| Other intangible assets | (245) | (228) | (210) | 7 |
| **Tangible shareholders' equity** [1] | **32,716** | **35,046** | **33,955** | (7) |
| **Shares outstanding (million)** | | | | |
| Common shares issued | 1,607.2 | 1,596.1 | 1,596.1 | 1 |
| Treasury shares | (7.2) | (8.9) | (5.2) | (19) |
| **Shares outstanding** | **1,600.0** | **1,587.2** | **1,590.9** | 1 |
| **Par value (CHF)** | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | | |
| **Total book value per share** | **25.59** | **27.24** | **26.50** | (6) |
| Goodwill per share | (4.99) | (5.01) | (5.03) | 0 |
| Other intangible assets per share | (0.15) | (0.15) | (0.13) | 0 |
| **Tangible book value per share** [1] | **20.45** | **22.08** | **21.34** | (7) |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 2Q14, overall position risk increased 10%, utilized economic capital increased 3%, average risk management VaR in US dollars decreased 2% and gross impaired loans were stable at CHF 1.5 billion.

## ECONOMIC CAPITAL AND POSITION RISK

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating).

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes, prior-period balances are restated in order to show meaningful trends.

In 2Q14, we made an enhancement to the position risk methodology for risk management purposes. For fixed income trading, we improved the aggregation of trading risks by aligning the time series' lengths among developed and emerging markets trading risks, and by using implicit correlations instead of an assumed fixed correlation. The net impact of this methodology change on position risk for the Group as of the end of 1Q14 was a decrease of CHF 248 million, or 2.2%.

For utilized economic capital used for capital management purposes, in addition to adopting the above position risk methodology change, we updated insurance policy parameters in our operational risk model. The net impact of the methodology changes on utilized economic capital for the Group as of the end of 1Q14 was a decrease of CHF 571 million, or 1.8%.

▸ Refer to "Economic capital and position risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on economic capital and position risk.

▸ Refer to "Operational risk" for further information on the revised advanced measurement approach (AMA) model to calculate the regulatory capital requirement for operational risk.

### Key position risk trends

Position risk for risk management purposes as of the end of 2Q14 increased 10% compared to the end of 1Q14, mainly due to increased traded credit spread exposures in fixed income trading. Higher emerging markets country event risk was driven by increased exposures in Latin America. Higher risk in real estate & structured assets was mainly related to an increase in residential mortgage-backed securities (RMBS) exposures. Higher international lending & counterparty exposures were mainly due to increased counterparty risk in Investment Banking.

## Position risk

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Position risk (CHF million)** | | | | | | | |
| Fixed income trading [1] | 1,826 | 1,050 | 1,776 | 1,305 | 74 | 3 | 40 |
| Equity trading & investments | 1,486 | 1,407 | 1,614 | 1,643 | 6 | (8) | (10) |
| Private banking corporate & retail lending | 2,430 | 2,338 | 2,350 | 2,474 | 4 | 3 | (2) |
| International lending & counterparty exposures | 5,555 | 5,419 | 4,957 | 5,324 | 3 | 12 | 4 |
| Emerging markets country event risk | 1,319 | 1,126 | 1,412 | 1,468 | 17 | (7) | (10) |
| Real estate & structured assets [2] | 2,129 | 1,991 | 2,037 | 2,209 | 7 | 5 | (4) |
| **Simple sum across risk categories** | **14,745** | **13,331** | **14,146** | **14,423** | 11 | 4 | 2 |
| Diversification benefit [3] | (2,722) | (2,412) | (2,782) | (2,738) | 13 | (2) | (1) |
| **Position risk (99% confidence level for risk management purposes)** | **12,023** | **10,919** | **11,364** | **11,685** | 10 | 6 | 3 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
1 This category comprises fixed income trading, foreign exchange and commodity exposures.
2 This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.
3 Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Compared to the end of 2Q13, position risk for risk management purposes increased 3%. Excluding the US dollar translation impact, position risk increased 9%, mainly due to higher risk in fixed income trading, primarily from traded credit spread exposures, as well as increased counterparty risk and new loan commitments in Investment Banking in international lending & counterparty exposures.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | | | in / end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Economic capital resources (CHF million)** | | | | | | | |
| Look-through CET1 capital (Basel III) | 26,419 | 27,858 | 26,480 | 26,128 | (5) | 0 | 1 |
| Economic adjustments [1] | 9,236 | 10,228 | 11,464 | 9,291 | (10) | (19) | (1) |
| **Economic capital resources** | **35,655** | **38,086** | **37,944** | **35,419** | (6) | (6) | 1 |
| **Utilized economic capital (CHF million)** | | | | | | | |
| Position risk (99.97% confidence level) | 21,012 | 19,166 | 19,988 | 20,647 | 10 | 5 | 2 |
| Operational risk | 5,343 | 5,034 | 4,731 | 4,586 | 6 | 13 | 17 |
| Other risks [2] | 5,411 | 6,678 | 6,587 | 6,381 | (19) | (18) | (15) |
| **Utilized economic capital** | **31,766** | **30,878** | **31,306** | **31,614** | 3 | 1 | 0 |
| **Utilized economic capital by segment (CHF million)** | | | | | | | |
| Private Banking & Wealth Management | 9,212 | 9,349 | 9,359 | 9,790 | (1) | (2) | (6) |
| Investment Banking | 20,391 | 19,353 | 19,723 | 19,594 | 5 | 3 | 4 |
| Corporate Center [3] | 2,183 | 2,196 | 2,244 | 2,251 | (1) | (3) | (3) |
| **Utilized economic capital – Credit Suisse [4]** | **31,766** | **30,878** | **31,306** | **31,614** | 3 | 1 | 0 |
| **Average utilized economic capital by segment (CHF million)** | | | | | | | |
| Private Banking & Wealth Management | 9,280 | 9,354 | 9,464 | 9,856 | (1) | (2) | (6) |
| Investment Banking | 19,872 | 19,538 | 18,910 | 19,362 | 2 | 5 | 3 |
| Corporate Center [3] | 2,190 | 2,220 | 2,250 | 2,254 | (1) | (3) | (3) |
| **Average utilized economic capital – Credit Suisse [5]** | **31,322** | **31,092** | **30,604** | **31,452** | 1 | 2 | 0 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

1 Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

2 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain methodology changes planned for 2014.

3 Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

4 Includes a diversification benefit of CHF 20 million, CHF 20 million, CHF 20 million and CHF 21 million as of the end of 2Q14, 1Q14, 4Q13 and 2Q13, respectively.

5 Includes a diversification benefit of CHF 20 million, CHF 20 million, CHF 20 million and CHF 20 million as of the end of 2Q14, 1Q14, 4Q13 and 2Q13, respectively.

**Utilized economic capital trends**

In 2Q14, our utilized economic capital increased 3%, mainly due to higher position risk, primarily in Investment Banking, partially offset by decreased share-based compensation in both business divisions and the Corporate Center.

For Private Banking & Wealth Management, utilized economic capital decreased 1%. Excluding the US dollar translation impact, utilized economic capital decreased 2%, mainly due to reductions in deferred share-based compensation awards and owned real estate risk in other risks, partially offset by higher operational risk and increased position risk in private banking corporate & retail lending.

For Investment Banking, utilized economic capital increased 5%, mainly due to increased position risk in fixed income trading, partially offset by decreased deferred share-based compensation awards in other risks.

For Corporate Center, utilized economic capital decreased 1%, mainly due to slightly decreased deferred share-based compensation awards in other risks.

## MARKET RISK

**Trading portfolios**

We primarily assume market risk through the trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations. Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

Trading risks are measured using VaR along with a number of other risk measurement tools. VaR measures the potential loss in fair value of trading positions due to adverse market movements over a defined time horizon at a specified confidence level. VaR relies on historical data and is considered a useful tool for estimating potential loss in normal markets in which there are no abrupt changes in market conditions. We use risk management VaR for internal risk management purposes and regulatory VaR for regulatory capital purposes. For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. Our VaR methodology is the same for both VaR measures, except for the confidence levels and holding periods. Other tools, including stress testing, are more appropriate for modeling the impact from severe market conditions.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2Q14, there were no material changes to the VaR methodology.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes an IRC, stressed VaR and, since January 1, 2013, consideration of the impact of changes in a counterparty's credit spreads (also known as CVA).

▸ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information.

In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR decreased 2% to USD 45 million from 1Q14, driven by reductions in equity and foreign exchange exposures. Compared to 2Q13, average risk management VaR increased 7% due to an increase in equity exposures and reduced portfolio diversification benefit, partially offset by reduced interest rate and credit spread exposures.

Period-end risk management VaR increased 11% to USD 52 million from 1Q14, mainly reflecting increased equity exposures. Compared to 2Q13, period-end risk management VaR increased 53%, mainly reflecting increased equity, credit spread and foreign exchange exposures and reduced portfolio diversification benefit.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **2Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 30 | 8 | 2 | 16 | (29) | 40 | 30 |
| Minimum | 11 | 28 | 5 | 1 | 13 | – [1] | 35 | 25 |
| Maximum | 16 | 33 | 12 | 3 | 22 | – [1] | 46 | 36 |
| End of period | 12 | 32 | 7 | 2 | 20 | (27) | 46 | 31 |
| **1Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 31 | 10 | 3 | 19 | (35) | 41 | 35 |
| Minimum | 9 | 29 | 5 | 1 | 14 | – [1] | 36 | 26 |
| Maximum | 17 | 33 | 17 | 4 | 24 | – [1] | 46 | 45 |
| End of period | 14 | 31 | 9 | 2 | 15 | (29) | 42 | 34 |
| **2Q13 (CHF million)** | | | | | | | | |
| Average | 22 | 36 | 9 | 3 | 15 | (45) | 40 | 42 |
| Minimum | 14 | 30 | 6 | 1 | 12 | – [1] | 33 | 32 |
| Maximum | 36 | 41 | 15 | 3 | 18 | – [1] | 50 | 54 |
| End of period | 14 | 30 | 6 | 3 | 15 | (35) | 33 | 32 |

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

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **2Q14 (USD million)** | | | | | | | | |
| Average | 14 | 34 | 9 | 2 | 18 | (32) | 45 | 34 |
| Minimum | 12 | 31 | 6 | 1 | 15 | – [1] | 40 | 28 |
| Maximum | 18 | 37 | 14 | 3 | 24 | – [1] | 52 | 41 |
| End of period | 14 | 36 | 8 | 3 | 23 | (32) | 52 | 35 |
| **1Q14 (USD million)** | | | | | | | | |
| Average | 14 | 35 | 12 | 3 | 21 | (39) | 46 | 40 |
| Minimum | 10 | 33 | 6 | 1 | 15 | – [1] | 41 | 28 |
| Maximum | 19 | 37 | 19 | 5 | 27 | – [1] | 52 | 51 |
| End of period | 16 | 35 | 10 | 2 | 17 | (33) | 47 | 38 |
| **2Q13 (USD million)** | | | | | | | | |
| Average | 23 | 38 | 10 | 3 | 16 | (48) | 42 | 45 |
| Minimum | 15 | 32 | 6 | 2 | 12 | – [1] | 34 | 33 |
| Maximum | 37 | 43 | 16 | 4 | 19 | – [1] | 51 | 55 |
| End of period | 15 | 32 | 6 | 3 | 16 | (38) | 34 | 34 |

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

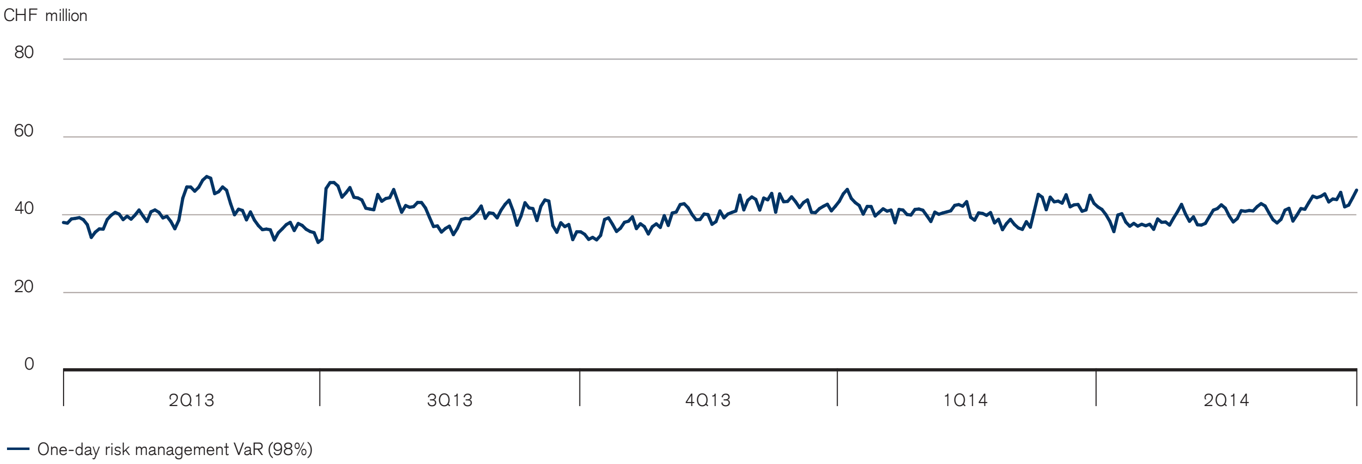
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in 2Q14 and in the 12-month-period through 2Q14. Since there were fewer than five backtesting exceptions in the rolling 12-month period through 2Q14, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to “Risk measurement models” in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

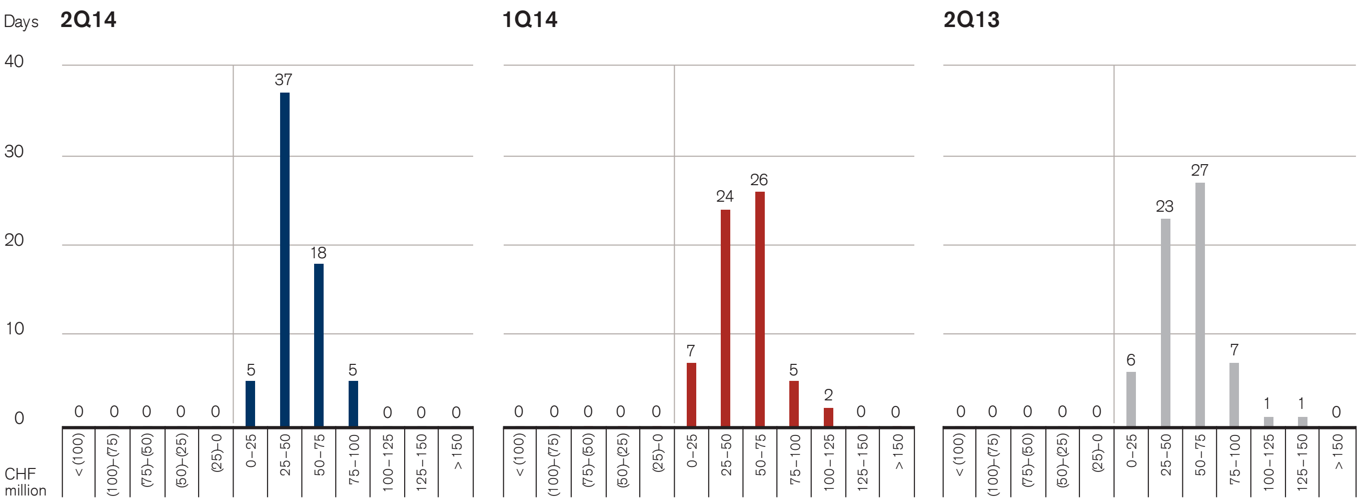
The histogram entitled “Actual daily trading revenues” compares the actual daily trading revenues for 2Q14 with those for 1Q14 and 2Q13. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2Q14 and 1Q14, we had no trading loss days.

## Daily risk management VaR




Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking portfolios

We assume non-trading interest rate risk through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to a valuation increase of CHF 5.1 million as of the end of 2Q14, compared to a valuation increase of CHF 6.9 million as of the end of 1Q14.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

### Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance.

▸ Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on credit risk.

▸ Refer to “Note 27 – Financial instruments” in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

### Credit risk overview

The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client.

## Credit risk

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Balance sheet (CHF million)** | | | | | | | |
| Gross loans | 255,472 | 251,629 | 248,014 | 247,176 | 2 | 3 | 3 |
| Loans held-for-sale | 19,755 | 20,223 | 18,914 | 23,284 | (2) | 4 | (15) |
| Traded loans | 7,343 | 6,427 | 6,397 | 5,775 | 14 | 15 | 27 |
| Derivative instruments [1] | 33,057 | 32,432 | 33,665 | 41,627 | 2 | (2) | (21) |
| **Total balance sheet** | **315,627** | **310,711** | **306,990** | **317,862** | 2 | 3 | (1) |
| **Off-balance sheet (CHF million)** | | | | | | | |
| Irrevocable loan commitments [2] | 108,685 | 103,332 | 96,990 | 104,621 | 5 | 12 | 4 |
| Credit guarantees and similar instruments | 4,161 | 4,286 | 4,214 [3] | 12,780 | (3) | (1) | (67) |
| Irrevocable commitments under documentary credits | 4,644 | 5,090 | 5,512 | 5,689 | (9) | (16) | (18) |
| **Total off-balance sheet** | **117,490** | **112,708** | **106,716** | **123,090** | 4 | 10 | (5) |
| **Total credit risk** | **433,117** | **423,419** | **413,706** | **440,952** | 2 | 5 | (2) |

Before risk mitigation, for example, collateral and credit hedges.

1 Positive replacement value after netting agreements.

2 Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client. 2Q13 has been adjusted to the current presentation.

3 Prior period has been corrected.

## Loans

| | Private Banking & Wealth Management | | | Investment Banking | | | Credit Suisse [1] | | |
|---|---|---|---|---|---|---|---|---|---|
| end of | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Loans (CHF million)** | | | | | | | | | |
| Mortgages | 96,915 | 95,700 | 93,602 | 0 | 0 | 0 | 96,915 | 95,700 | 93,602 |
| Loans collateralized by securities | 35,882 | 34,253 | 30,316 | 0 | 0 | 0 | 35,882 | 34,253 | 30,316 |
| Consumer finance | 5,198 | 5,530 | 7,031 | 240 | 253 | 337 | 5,438 | 5,783 | 7,368 |
| Consumer | 137,995 | 135,483 | 130,949 | 240 | 253 | 337 | 138,235 | 135,736 | 131,286 |
| Real estate | 26,573 | 26,302 | 25,335 | 695 | 1,018 | 909 [2] | 27,268 | 27,320 | 26,244 [2] |
| Commercial and industrial loans | 52,461 | 50,799 | 49,487 | 13,244 | 14,931 | 14,205 [2] | 65,734 | 65,760 | 63,718 [2] |
| Financial institutions | 7,817 | 7,987 | 8,079 | 13,241 | 11,485 | 15,034 [2] | 21,058 | 19,472 | 23,113 [2] |
| Governments and public institutions | 1,168 | 1,251 | 1,267 | 2,009 | 2,090 | 1,548 [2] | 3,177 | 3,341 | 2,815 [2] |
| Corporate & institutional | 88,019 [3] | 86,339 [3] | 84,168 [3] | 29,189 | 29,524 | 31,696 | 117,237 | 115,893 | 115,890 |
| **Gross loans** | **226,014** | **221,822** | **215,117** | **29,429** | **29,777** | **32,033** | **255,472** | **251,629** | **247,176** |
| of which held at fair value | 224 | 227 | 293 | 19,673 | 19,753 | 19,277 | 19,897 | 19,980 | 19,570 |
| Net (unearned income) / deferred expenses | (98) | (84) | (68) | (21) | (20) | (20) | (119) | (104) | (90) |
| Allowance for loan losses [4] | (673) | (719) | (757) | (144) | (143) | (141) | (821) | (866) | (900) |
| **Net loans** | **225,243** | **221,019** | **214,292** | **29,264** | **29,614** | **31,872** | **254,532** | **250,659** | **246,186** |
| **Impaired loans (CHF million)** | | | | | | | | | |
| Non-performing loans | 613 | 620 | 672 | 234 | 221 | 230 | 851 | 845 | 904 |
| Non-interest-earning loans | 286 | 283 | 303 | 0 | 0 | 2 | 286 | 283 | 305 |
| Total non-performing and non-interest-earning loans | 899 | 903 | 975 | 234 | 221 | 232 | 1,137 | 1,128 | 1,209 |
| Restructured loans | 83 | 29 [5] | 0 | 0 | 0 | 20 | 83 | 29 [5] | 20 |
| Potential problem loans | 252 | 339 [5] | 444 | 0 | 3 | 0 | 252 | 342 [5] | 444 |
| Total other impaired loans | 335 | 368 | 444 | 0 | 3 | 20 | 335 | 371 | 464 |
| **Gross impaired loans [4]** | **1,234** | **1,271** | **1,419** | **234** | **224** | **252** | **1,472** | **1,499** | **1,673** |
| of which loans with a specific allowance | 1,097 | 1,180 | 1,357 | 219 | 217 | 243 | 1,320 | 1,401 | 1,602 |
| of which loans without a specific allowance | 137 | 91 | 62 | 15 | 7 | 9 | 152 | 98 | 71 |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period [4]** | **719** | **715** | **782** | **143** | **151** | **134** | **866** | **869** | **916** |
| Net movements recognized in statements of operations | 24 | 31 | 47 | (2) | (2) | 0 | 22 | 30 | 49 |
| Gross write-offs | (91) | (33) | (98) | (1) | (13) | (1) | (92) | (46) | (99) |
| Recoveries | 18 | 6 | 25 | 1 | 4 | 4 | 19 | 10 | 29 |
| Net write-offs | (73) | (27) | (73) | 0 | (9) | 3 | (73) | (36) | (70) |
| Provisions for interest | 0 | 2 | 2 | 3 | 3 | 4 | 3 | 5 | 6 |
| Foreign currency translation impact and other adjustments, net | 3 | (2) | (1) | 0 | 0 | 0 | 3 | (2) | (1) |
| **Balance at end of period [4]** | **673** | **719** | **757** | **144** | **143** | **141** | **821** | **866** | **900** |
| of which individually evaluated for impairment | 500 | 546 | 569 | 109 | 103 | 107 | 613 | 653 | 676 |
| of which collectively evaluated for impairment | 173 | 173 | 188 | 35 | 40 | 34 | 208 | 213 | 224 |
| **Loan metrics (%)** | | | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [6] | 0.4 | 0.4 | 0.5 | 2.4 | 2.2 | 1.8 | 0.5 | 0.5 | 0.5 |
| Gross impaired loans / Gross loans [6] | 0.5 | 0.6 | 0.7 | 2.4 | 2.2 | 2.0 | 0.6 | 0.6 | 0.7 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [4] | 74.9 | 79.6 | 77.6 | 61.5 | 64.7 | 60.8 | 72.2 | 76.8 | 74.4 |
| Allowance for loan losses / Gross impaired loans [4] | 54.5 | 56.6 | 53.3 | 61.5 | 63.8 | 56.0 | 55.8 | 57.8 | 53.8 |

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions and from governments and public institutions to commercial and industrial loans, respectively.
[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 72,316 million, CHF 70,566 million and CHF 66,934 million as of the end of 2Q14, 1Q14 and 2Q13, respectively.
[4] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
[5] Prior period has been corrected to reclassify a counterparty exposure from potential problem loans to restructured loans.
[6] Excludes loans carried at fair value.

### Loan exposure

Compared to the end of 1Q14, gross loans increased CHF 3.8 billion to CHF 255.5 billion. In Private Banking & Wealth Management, gross loans were CHF 226.0 billion, up CHF 4.2 billion from 1Q14, reflecting increased lending driven by commercial and industrial loans, loans collateralized by securities and residential mortgages. Gross loans in Investment Banking decreased CHF 0.3 billion to CHF 29.4 billion, primarily reflecting decreases in commercial and industrial loans and loans to the real estate sector, mostly offset by higher loans to financial institutions.

Gross impaired loans were stable at CHF 1.5 billion. In Private Banking & Wealth Management, gross impaired loans decreased CHF 37 million to CHF 1.2 billion, primarily due to repayments and write-offs and the restructuring of potential problem loans. In Investment Banking, gross impaired loans increased CHF 10 million to CHF 234 million, driven by a new non-performing loan and a reclassification of a potential problem loan to non-performing.

We recorded a net provision for credit losses of CHF 18 million in 2Q14, compared to CHF 34 million in 1Q14, with a net provision of CHF 23 million in Private Banking & Wealth Management and a release in provision of CHF 5 million in Investment Banking.

Compared to the end of 2Q13, gross loans increased 3%. An increase in Private Banking & Wealth Management of 5% was primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher commercial and industrial loans, partially offset by the US dollar translation impact and a decrease in consumer finance. In Investment Banking, a decrease of 8% was driven by the US dollar translation impact and lower loans to financial institutions, partially offset by higher loans to governments and public institutions. Gross impaired loans decreased 12% driven by decreases in potential problem and non-performing loans in Private Banking & Wealth Management, mainly due to write-offs, and the repayment of a restructured loan in Investment Banking in 4Q13, partially offset by new restructured loans in Private Banking & Wealth Management.

### Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

#### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

#### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table and the related description of developments is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps (TRS)).

## Selected European credit risk exposures

| end of 2Q14 | Gross credit risk exposure | Risk mitigation: CDS | Risk mitigation: Other [1] | Net credit risk exposure | Inventory [2] | Net synthetic inventory [3] | Total credit risk exposure: Gross | Total credit risk exposure: Net |
|---|---|---|---|---|---|---|---|---|
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.5 | 0.0 | 0.4 | 0.1 | 0.0 | (0.1) | 0.5 | 0.1 |
| **Total** | **0.5** | **0.0** | **0.4** | **0.1** | **0.0** | **(0.1)** | **0.5** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.7 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.7** | **0.0** | **0.0** | **0.0** | **0.7** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Sovereigns | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Corporates & other | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 |
| **Total** | **0.8** | **0.0** | **0.6** | **0.2** | **0.0** | **0.0** | **0.8** | **0.2** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 1.0 | 0.0 | 0.5 | 0.5 | 0.4 | 0.0 | 1.4 | 0.9 |
| Corporates & other | 0.7 | 0.0 | 0.6 | 0.1 | 0.0 | 0.0 | 0.7 | 0.1 |
| **Total** | **1.7** | **0.0** | **1.1** | **0.6** | **0.4** | **0.0** | **2.1** | **1.0** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 3.8 | 2.9 | 0.4 | 0.5 | 0.0 | (0.7) | 3.8 | 0.5 |
| Financial institutions | 1.5 | 0.0 | 0.9 | 0.6 | 0.2 | (0.1) | 1.7 | 0.8 |
| Corporates & other | 2.7 | 0.2 | 2.0 | 0.5 | 0.1 | (0.1) | 2.8 | 0.6 |
| **Total** | **8.0** | **3.1** | **3.3** | **1.6** | **0.3** | **(0.9)** | **8.3** | **1.9** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | (0.1) | 0.2 | 0.1 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.2** | **(0.1)** | **0.5** | **0.2** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.2 | 0.2 |
| Financial institutions | 0.9 | 0.0 | 0.4 | 0.5 | 0.5 | 0.0 | 1.4 | 1.0 |
| Corporates & other | 2.0 | 0.2 | 1.2 | 0.6 | 0.2 | (0.1) | 2.2 | 0.8 |
| **Total** | **2.9** | **0.2** | **1.6** | **1.1** | **0.9** | **0.0** | **3.8** | **2.0** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.6 | 2.9 | 0.9 | 0.8 | 0.2 | (0.7) | 4.8 | 1.0 |
| Financial institutions | 3.6 | 0.0 | 2.0 | 1.6 | 1.2 | (0.2) | 4.8 | 2.8 |
| Corporates & other | 6.7 | 0.4 | 5.1 | 1.2 | 0.4 | (0.2) | 7.1 | 1.6 |
| **Total** | **14.9** | **3.3** | **8.0** | **3.6** | **1.8** | **(1.1)** | **16.7** | **5.4** |

1 Includes other hedges (derivative instruments), guarantees, insurance and collateral.
2 Represents long inventory positions netted at issuer level.
3 Substantially all of which results from CDS; represents long positions net of short positions.

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

#### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain as of the end of 2Q14 was EUR 4.8 billion, down from EUR 5.1 billion as of the end of 1Q14. Our net exposure to these sovereigns was EUR 1.0 billion, down from EUR 1.4 billion compared to the end of 1Q14. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 2Q14 included net exposure to financial institutions of EUR 2.8 billion and to corporates and other counterparties of EUR 1.6 billion, compared to EUR 2.2 billion and EUR 1.5 billion, respectively, as of the end of 1Q14. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

#### Sovereign debt rating developments

In 2Q14, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Standard & Poor's increased Cyprus's rating to B from B–, Ireland's rating to A– from BBB+ and Spain's rating to BBB from BBB–. Fitch increased Spain's rating to BBB+ from BBB. Moody's increased Ireland's rating to Baa1 from Baa3 and Portugal's rating to Ba2 from Ba3. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## OPERATIONAL RISK

Effective January 1, 2014, we have implemented a revised FINMA-approved internal AMA model to calculate the regulatory capital requirement for operational risk. The AMA capital calculation includes all litigation-related provisions and also an add-on component relating to the aggregate range of the reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions.

‣ Refer to "Operational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on the revised AMA model used for regulatory capital calculation.

In 2Q14, a slight increase in capital required for operational risk primarily reflected the impact of incorporating into the AMA model the FHFA settlement in March 2014 and the settlement of all outstanding US cross-border matters in May 2014. The impact from these settlements was partially offset by the agreement with FINMA to remove the limitation it had set on the capital benefit for insurance-based risk transfer and a decrease in the add-on component of the capital related to the aggregate range of reasonably possible litigation losses due to the reduction in the maximum value of this range.

# Balance sheet and off-balance sheet

Total assets were CHF 891.6 billion, total liabilities were CHF 849.6 billion and total equity was CHF 42.0 billion. Both total assets and total liabilities were up 2% for the quarter due to higher operating activities and the foreign exchange translation impact. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

### Balance sheet summary

| | | | | end of | | | % change |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Assets (CHF million)** | | | | | | | |
| Cash and due from banks | 66,469 | 65,972 | 68,692 | 56,584 | 1 | (3) | 17 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 165,744 | 162,890 | 160,022 | 173,404 | 2 | 4 | (4) |
| Trading assets | 235,427 | 237,069 | 229,413 | 245,834 | (1) | 3 | (4) |
| Net loans | 254,532 | 250,659 | 247,054 | 246,186 | 2 | 3 | 3 |
| Brokerage receivables | 56,309 | 49,353 | 52,045 | 72,247 | 14 | 8 | (22) |
| All other assets | 113,099 | 112,147 | 115,580 | 125,648 | 1 | (2) | (10) |
| **Total assets** | **891,580** | **878,090** | **872,806** | **919,903** | 2 | 2 | (3) |
| **Liabilities and equity (CHF million)** | | | | | | | |
| Due to banks | 26,701 | 24,211 | 23,108 | 29,440 | 10 | 16 | (9) |
| Customer deposits | 346,296 | 348,450 | 333,089 | 328,389 | (1) | 4 | 5 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,066 | 88,675 | 94,032 | 99,073 | (1) | (6) | (11) |
| Trading liabilities | 75,129 | 73,029 | 76,635 | 89,917 | 3 | (2) | (16) |
| Long-term debt | 143,827 | 132,434 | 130,042 | 133,505 | 9 | 11 | 8 |
| Brokerage payables | 68,842 | 70,250 | 73,154 | 91,404 | (2) | (6) | (25) |
| All other liabilities | 100,692 | 96,759 | 95,580 | 98,768 | 4 | 5 | 2 |
| **Total liabilities** | **849,553** | **833,808** | **825,640** | **870,496** | 2 | 3 | (2) |
| **Total shareholders' equity** | **40,944** | **43,230** | **42,164** | **42,402** | (5) | (3) | (3) |
| Noncontrolling interests | 1,083 | 1,052 | 5,002 | 7,005 | 3 | (78) | (85) |
| **Total equity** | **42,027** | **44,282** | **47,166** | **49,407** | (5) | (11) | (15) |
| **Total liabilities and equity** | **891,580** | **878,090** | **872,806** | **919,903** | 2 | 2 | (3) |

## BALANCE SHEET

Total assets were CHF 891.6 billion as of the end of 2Q14, up CHF 13.5 billion, or 2%, from the end of 1Q14, reflecting an increase from operating activities and foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets increased CHF 10.3 billion.

Compared to the end of 1Q14, brokerage receivables increased CHF 7.0 billion, or 14%, driven by futures and margin lending, partially offset by open trades. Net loans increased CHF 3.9 billion, or 2%, primarily reflecting an increase in loans to financial institutions in Investment Banking and increases in loans collateralized by securities and residential mortgages in Private Banking & Wealth Management. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 2.9 billion, or 2%, mainly driven by an increase in stock borrowings and an increase in reverse repurchase transactions, partially offset by a decrease in cash collateral for stock borrowings. Cash and due from banks were stable at CHF 66.5 billion. Trading assets were stable at CHF 235.4 billion, mainly reflecting decreases in debt securities offset by increases in equity securities and derivative instruments. All other assets were stable at CHF 113.1 billion, including an increase of CHF 2.3 billion of other assets and a decrease of CHF 1.4 billion of securities received as collateral.

Total liabilities were CHF 849.6 billion as of the end of 2Q14, up CHF 15.7 billion, or 2%, from the end of 1Q14, driven by an increase from operating activities and foreign exchange translation impact. Excluding the foreign exchange translation impact, total liabilities increased CHF 12.9 billion.

Compared to the end of 1Q14, long-term debt increased CHF 11.4 billion, or 9%, primarily driven by issuances of senior and subordinated debt, partially offset by maturities of senior debt. Due to banks increased CHF 2.5 billion, or 10%, mainly driven by new bank deposits and higher bank balances. Trading liabilities increased CHF 2.1 billion, or 3%, mainly driven by an increase in derivative instruments. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions were stable at CHF 88.1 billion. Customer deposits were stable at CHF 346.3 billion. Brokerage payables were down by CHF 1.4 billion, or 2%, mainly reflecting lower margin lending and other brokerage payables. All other liabilities increased CHF 3.9 billion, or 4%, including an increase of CHF 5.2 billion in short-term borrowings and a decrease of CHF 1.4 billion in obligation to return securities received as collateral.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 and “Note 25 – Guarantees and commitments” and “Note 29 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

# III

# Condensed consolidated financial statements – unaudited

# Notes to the condensed consolidated financial statements – unaudited

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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of June 30, 2014 and 2013 and the related condensed consolidated statements of operations, changes in equity and comprehensive income for the three and six-month periods ended June 30, 2014 and 2013 and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated April 3, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Simon Ryder
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 31, 2014

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 5,690 | 4,445 | 6,220 | 10,135 | 11,042 |
| Interest expense | (3,104) | (2,267) | (3,580) | (5,371) | (6,596) |
| Net interest income | 2,586 | 2,178 | 2,640 | 4,764 | 4,446 |
| Commissions and fees | 3,309 | 3,275 | 3,538 | 6,584 | 6,786 |
| Trading revenues | 197 | 638 | 357 | 835 | 2,172 |
| Other revenues | 371 | 738 | 417 | 1,109 | 637 |
| **Net revenues** | **6,463** | **6,829** | **6,952** | **13,292** | **14,041** |
| **Provision for credit losses** | **18** | **34** | **51** | **52** | **73** |
| Compensation and benefits | 2,973 | 2,993 | 2,926 | 5,966 | 5,917 |
| General and administrative expenses | 3,441 | 1,690 | 1,873 | 5,131 | 3,605 |
| Commission expenses | 377 | 369 | 457 | 746 | 927 |
| Total other operating expenses | 3,818 | 2,059 | 2,330 | 5,877 | 4,532 |
| **Total operating expenses** | **6,791** | **5,052** | **5,256** | **11,843** | **10,449** |
| **Income/(loss) from continuing operations before taxes** | **(346)** | **1,743** | **1,645** | **1,397** | **3,519** |
| Income tax expense | 307 | 543 | 472 | 850 | 971 |
| **Income/(loss) from continuing operations** | **(653)** | **1,200** | **1,173** | **547** | **2,548** |
| Income/(loss) from discontinued operations, net of tax | (9) | 15 | (9) | 6 | (3) |
| **Net income/(loss)** | **(662)** | **1,215** | **1,164** | **553** | **2,545** |
| Net income attributable to noncontrolling interests | 38 | 356 | 119 | 394 | 197 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **159** | **2,348** |
| of which from continuing operations | (691) | 844 | 1,054 | 153 | 2,351 |
| of which from discontinued operations | (9) | 15 | (9) | 6 | (3) |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | 0.05 | 1.31 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Basic earnings/(loss) per share** | **(0.46)** | **0.48** | **0.54** | **0.05** | **1.31** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | 0.05 | 1.28 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share** | **(0.46)** | **0.48** | **0.52** | **0.05** | **1.28** |

## Consolidated statements of comprehensive income (unaudited)

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | |
| Net income/(loss) | (662) | 1,215 | 1,164 | 553 | 2,545 |
| Gains/(losses) on cash flow hedges | 12 | 17 | (15) | 29 | (13) |
| Foreign currency translation | 65 | (273) | (166) | (208) | 761 |
| Unrealized gains/(losses) on securities | 12 | 8 | (14) | 20 | (21) |
| Actuarial gains/(losses) | 42 | 35 | 81 | 77 | 151 |
| Net prior service credit/(cost) | (22) | (20) | (31) | (42) | (58) |
| Other comprehensive income/(loss), net of tax | 109 | (233) | (145) | (124) | 820 |
| **Comprehensive income/(loss)** | **(553)** | **982** | **1,019** | **429** | **3,365** |
| Comprehensive income attributable to noncontrolling interests | 41 | 331 | 110 | 372 | 315 |
| **Comprehensive income/(loss) attributable to shareholders** | **(594)** | **651** | **909** | **57** | **3,050** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Cash and due from banks | 66,469 | 65,972 | 68,692 | 56,584 |
| of which reported at fair value | 724 | 404 | 527 | 386 |
| of which reported from consolidated VIEs | 916 | 737 | 952 | 1,592 |
| Interest-bearing deposits with banks | 1,749 | 1,728 | 1,515 | 1,563 |
| of which reported at fair value | 309 | 308 | 311 | 396 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 165,744 | 162,890 | 160,022 | 173,404 |
| of which reported at fair value | 86,586 | 88,081 | 96,587 | 99,972 |
| of which reported from consolidated VIEs | 1,224 | 1,104 | 1,959 | 1,336 |
| Securities received as collateral, at fair value | 21,611 | 23,029 | 22,800 | 21,675 |
| of which encumbered | 16,737 | 18,184 | 17,964 | 17,100 |
| Trading assets, at fair value | 235,427 | 237,069 | 229,413 | 245,834 |
| of which encumbered | 75,778 | 72,288 | 72,976 | 68,048 |
| of which reported from consolidated VIEs | 3,439 | 3,492 | 3,610 | 3,850 |
| Investment securities | 3,323 | 3,320 | 2,987 | 3,546 |
| of which reported at fair value | 3,323 | 3,320 | 2,987 | 3,546 |
| of which reported from consolidated VIEs | 59 | 76 | 100 | 175 |
| Other investments | 7,709 | 7,806 | 10,329 | 11,628 |
| of which reported at fair value | 5,252 | 5,274 | 7,596 | 8,603 |
| of which reported from consolidated VIEs | 1,928 | 1,951 | 1,983 | 2,196 |
| Net loans | 254,532 | 250,659 | 247,054 | 246,186 |
| of which reported at fair value | 19,897 | 19,980 | 19,457 | 19,570 |
| of which encumbered | 92 | 702 | 638 | 568 |
| of which reported from consolidated VIEs | 2,008 | 2,047 | 4,207 | 4,566 |
| allowance for loan losses | (821) | (866) | (869) | (900) |
| Premises and equipment | 4,811 | 4,926 | 5,091 | 5,459 |
| of which reported from consolidated VIEs | 495 | 505 | 513 | 561 |
| Goodwill | 7,983 | 7,956 | 7,999 | 8,554 |
| Other intangible assets | 245 | 228 | 210 | 237 |
| of which reported at fair value | 66 | 55 | 42 | 39 |
| Brokerage receivables | 56,309 | 49,353 | 52,045 | 72,247 |
| Other assets | 64,689 | 62,405 | 63,065 | 72,986 |
| of which reported at fair value | 31,273 | 32,588 | 31,518 | 38,168 |
| of which encumbered | 439 | 610 | 722 | 674 |
| of which reported from consolidated VIEs | 13,815 | 13,711 | 14,330 | 15,410 |
| Assets of discontinued operations held-for-sale | 979 | 749 | 1,584 | 0 |
| **Total assets** | **891,580** | **878,090** | **872,806** | **919,903** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | | |
| Due to banks | 26,701 | 24,211 | 23,108 | 29,440 |
| of which reported at fair value | 998 | 1,270 | 1,450 | 1,903 |
| Customer deposits | 346,296 | 348,450 | 333,089 | 328,389 |
| of which reported at fair value | 3,229 | 3,170 | 3,252 | 3,600 |
| of which reported from consolidated VIEs | 269 | 233 | 265 | 167 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,066 | 88,675 | 94,032 | 99,073 |
| of which reported at fair value | 60,529 | 70,824 | 76,104 | 79,443 |
| Obligation to return securities received as collateral, at fair value | 21,611 | 23,029 | 22,800 | 21,675 |
| Trading liabilities, at fair value | 75,129 | 73,029 | 76,635 | 89,917 |
| of which reported from consolidated VIEs | 16 | 18 | 93 | 106 |
| Short-term borrowings | 29,426 | 24,181 | 20,193 | 20,976 |
| of which reported at fair value | 7,132 | 6,305 | 6,053 | 5,620 |
| of which reported from consolidated VIEs | 8,733 | 5,176 | 4,286 | 4,450 |
| Long-term debt | 143,827 | 132,434 | 130,042 | 133,505 |
| of which reported at fair value | 70,217 | 64,694 | 63,369 | 63,942 |
| of which reported from consolidated VIEs | 11,857 | 12,239 | 12,992 | 15,450 |
| Brokerage payables | 68,842 | 70,250 | 73,154 | 91,404 |
| Other liabilities | 48,913 | 48,768 | 51,447 | 56,117 |
| of which reported at fair value | 20,009 | 21,617 | 21,973 | 23,740 |
| of which reported from consolidated VIEs | 859 | 777 | 710 | 1,140 |
| Liabilities of discontinued operations held-for-sale | 742 | 781 | 1,140 | 0 |
| **Total liabilities** | **849,553** | **833,808** | **825,640** | **870,496** |
| Common shares | 64 | 64 | 64 | 64 |
| Additional paid-in capital | 26,655 | 28,406 | 27,853 | 27,196 |
| Retained earnings | 30,392 | 31,092 | 30,261 | 30,405 |
| Treasury shares, at cost | (190) | (249) | (139) | (62) |
| Accumulated other comprehensive income/(loss) | (15,977) | (16,083) | (15,875) | (15,201) |
| **Total shareholders' equity** | **40,944** | **43,230** | **42,164** | **42,402** |
| Noncontrolling interests | 1,083 | 1,052 | 5,002 | 7,005 |
| **Total equity** | **42,027** | **44,282** | **47,166** | **49,407** |
| **Total liabilities and equity** | **891,580** | **878,090** | **872,806** | **919,903** |

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Additional share information** | | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,299,616,660 | 2,269,616,660 | 2,269,616,660 | 2,269,616,660 |
| Common shares issued | 1,607,168,947 | 1,596,119,349 | 1,596,119,349 | 1,594,295,735 |
| Treasury shares | (7,196,146) | (8,866,124) | (5,183,154) | (2,328,381) |
| Shares outstanding | 1,599,972,801 | 1,587,253,225 | 1,590,936,195 | 1,591,967,354 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2Q14 (CHF million) | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **Balance at beginning of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (126) | (126) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 14 | 14 |
| Net income/(loss) | – | – | (700) | – | – | (700) | 38 | (662) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 106 | 106 | 3 | 109 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (6) | – | 2,140 | – | 2,134 | – | 2,134 |
| Repurchase of treasury shares | – | – | – | (2,767) | – | (2,767) | – | (2,767) |
| Share-based compensation, net of tax | – | (1,058) [3] | – | 686 | – | (372) | – | (372) |
| Financial instruments indexed to own shares [4] | – | 193 | – | – | – | 193 | – | 193 |
| Dividends paid | – | (1,177) [5] | – | – | – | (1,177) | (5) | (1,182) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 107 | 107 |
| **Balance at end of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax benefit of CHF 10 million from the excess fair value of shares delivered over recognized compensation expense.
4 The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5 Paid out of reserves from capital contributions.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **1Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | 238 | – | – | – | 238 | (1,812) | (1,574) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 21 | 21 |
| Net income/(loss) | – | – | 859 | – | – | 859 | 356 | 1,215 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (208) | (208) | (25) | (233) |
| Sale of treasury shares | – | 3 | – | 1,896 | – | 1,899 | – | 1,899 |
| Repurchase of treasury shares | – | – | – | (2,025) | – | (2,025) | – | (2,025) |
| Share-based compensation, net of tax | – | 311 | – | 19 | – | 330 | – | 330 |
| Dividends paid | – | – | (28) | – | – | (28) | (17) | (45) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Change in scope of consolidation, net | – | – | – | – | – | – | (2,473) | (2,473) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |
| **2Q13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **54** | **23,808** | **29,474** | **(446)** | **(15,065)** | **37,825** | **7,121** | **44,946** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (216) | (216) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 4 | 4 |
| Net income/(loss) | – | – | 1,045 | – | – | 1,045 | 117 | 1,162 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (136) | (136) | (9) | (145) |
| Issuance of common shares | 10 | 3,704 | – | – | – | 3,714 | – | 3,714 |
| Sale of treasury shares | – | (19) | – | 3,510 | – | 3,491 | – | 3,491 |
| Repurchase of treasury shares | – | – | – | (3,176) | – | (3,176) | – | (3,176) |
| Share-based compensation, net of tax | – | (25) | – | 50 | – | 25 | – | 25 |
| Dividends paid | – | (269) | (114) | – | – | (383) | (12) | (395) |
| Changes in redeemable noncontrolling interests | – | (3) | – | – | – | (3) | – | (3) |
| **Balance at end of period** | **64** | **27,196** | **30,405** | **(62)** | **(15,201)** | **42,402** | **7,005** | **49,407** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **6M14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (1,938) | (1,700) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 35 | 35 |
| Net income/(loss) | – | – | 159 | – | – | 159 | 394 | 553 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (102) | (102) | (22) | (124) |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (3) | – | 4,036 | – | 4,033 | – | 4,033 |
| Repurchase of treasury shares | – | – | – | (4,792) | – | (4,792) | – | (4,792) |
| Share-based compensation, net of tax | – | (747) [3] | – | 705 | – | (42) | – | (42) |
| Financial instruments indexed to own shares [4] | – | 193 | – | – | – | 193 | – | 193 |
| Dividends paid | – | (1,177) [5] | (28) | – | – | (1,205) | (22) | (1,227) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,366) | (2,366) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |
| **6M13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (379) | (379) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 298 | 298 |
| Net income/(loss) | – | – | 2,348 | – | – | 2,348 | 197 | 2,545 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 702 | 702 | 118 | 820 |
| Issuance of common shares | 11 | 4,174 | – | – | – | 4,185 | – | 4,185 |
| Sale of treasury shares | – | (45) | – | 5,719 | – | 5,674 | – | 5,674 |
| Repurchase of treasury shares | – | – | – | (5,479) | – | (5,479) | – | (5,479) |
| Share-based compensation, net of tax | – | (375) | – | 157 | – | (218) | – | (218) |
| Financial instruments indexed to own shares | – | 80 | – | – | – | 80 | – | 80 |
| Dividends paid | – | (269) | (114) | – | – | (383) | (23) | (406) |
| Changes in redeemable noncontrolling interests | – | (5) | – | – | – | (5) | – | (5) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 8 | 8 |
| **Balance at end of period** | **64** | **27,196** | **30,405** | **(62)** | **(15,201)** | **42,402** | **7,005** | **49,407** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF (38) million from the excess recognized compensation expense over fair value of shares delivered.
[4] The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[5] Paid out of reserves from capital contributions.

## Consolidated statements of cash flows (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income** | **553** | **2,545** |
| (Income)/loss from discontinued operations, net of tax | (6) | 3 |
| **Income from continuing operations** | **547** | **2,548** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 621 | 667 |
| Provision for credit losses | 52 | 73 |
| Deferred tax provision/(benefit) | 562 | 623 |
| Share of net income/(loss) from equity method investments | 251 | 144 |
| Trading assets and liabilities, net | (5,986) | 17,091 |
| (Increase)/decrease in other assets | (10,291) | (26,432) |
| Increase/(decrease) in other liabilities | (4,124) | 22,064 |
| Other, net | 750 | (2,224) |
| Total adjustments | (18,165) | 12,006 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(17,618)** | **14,554** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | (243) | 529 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (5,756) | 14,007 |
| Purchase of investment securities | (459) | (212) |
| Proceeds from sale of investment securities | 48 | 36 |
| Maturities of investment securities | 92 | 92 |
| Investments in subsidiaries and other investments | (483) | (901) |
| Proceeds from sale of other investments | 850 | 1,617 |
| (Increase)/decrease in loans | (9,057) | (3,652) |
| Proceeds from sales of loans | 943 | 484 |
| Capital expenditures for premises and equipment and other intangible assets | (411) | (440) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 8 |
| Other, net | 150 | (2) |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(14,326)** | **11,566** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 6M14 | 6M13 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 16,644 | 16,043 |
| Increase/(decrease) in short-term borrowings | 9,095 | 5,896 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (5,659) | (37,364) |
| Issuances of long-term debt | 32,023 | 17,259 |
| Repayments of long-term debt | (19,616) | (33,622) |
| Issuances of common shares | 297 | 928 |
| Sale of treasury shares | 4,033 | 5,128 |
| Repurchase of treasury shares | (4,792) | (5,479) |
| Dividends paid | (1,227) | (406) |
| Other, net | (1,468) | (464) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **29,330** | **(32,081)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **574** | **1,130** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | |
| **Net cash provided by/(used in) discontinued operations** | **(183)** | **(348)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **(2,223)** | **(5,179)** |
| Cash and due from banks at beginning of period | 68,692 | 61,763 |
| **Cash and due from banks at end of period** | **66,469** | **56,584** |

## Supplemental cash flow information (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 812 | 475 |
| Cash paid for interest | 5,468 | 6,597 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 32 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 8 | 36 |
| Liabilities sold | 1 | 8 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Credit Suisse Annual Report 2013.

‣ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 1Q14 consolidated statements of operations and comprehensive income, the 1Q14 and 2Q13 consolidated balance sheets and the 2Q14, 1Q14 and 2Q13 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

**Recently adopted accounting standards**

The following provides the most relevant recently adopted accounting standards.

‣ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of accounting standards adopted in 2013.

### ASC Topic 210 – Balance Sheet

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Accounting Standards Codification (ASC) Topic 210 – Balance Sheet. The amendments in ASU 2011-11 require an entity to prepare additional disclosures about offsetting and related arrangements. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

‣ Refer to "Note 20 – Offsetting of financial assets and financial liabilities" for further information.

### ASC Topic 220 – Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

‣ Refer to "Note 19 – Accumulated other comprehensive income and additional share information" for further information.

### ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for interim and annual reporting periods beginning after December 15, 2013 with early adoption permitted. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 946 – Financial Services – Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08) an update to Topic 946 – Financial Services – Investment Companies. The amendments change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or cash flows.

**Standards to be adopted in future periods**

**ASC Topic 205 – Presentation of Financial Statements**
**ASC Topic 360 – Property, Plant, and Equipment**

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" (ASU 2014-08), an update to Topic 205 – Presentation of Financial Statements and Topic 360 – Property, Plant, and Equipment. The amendments change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods beginning after December 15, 2014 with early adoption permitted. The Group will evaluate the impact of adoption of ASU 2014-08 on the Group's financial position, results of operations and cash flows when any future discontinued operations or disposals are identified.

**ASC Topic 606 – Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-09 is effective for annual periods beginning after December 15, 2016. The Group is currently evaluating the impact of the adoption of ASU 2014-09 on the Group's financial position, results of operations and cash flows.

**ASC Topic 718 – Compensation – Stock Compensation**

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Topic 718 – Compensation – Stock Compensation. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Group is currently evaluating the impact of the adoption of ASU 2014-12 on the Group's financial position, results of operations and cash flows.

**ASC Topic 860 – Transfers and Servicing**

In June 2014, the FASB issued ASU 2014-11, "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" (ASU 2014-11), an update to Topic 860 – Transfers and Servicing. ASU 2014-11 amends the accounting guidance for repurchase-to-maturity transactions and repurchase financing arrangements. As a result of these amendments repurchase-to-maturity transactions will be reported as secured borrowings. For repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. The amendments also specify new disclosures that entities must include. ASU 2014-11 is effective for interim and annual periods beginning after December 15, 2014. The Group is currently evaluating the impact of the adoption of ASU 2014-11 on the Group's financial position, results of operations and cash flows.

## 3 Business developments

**Business developments**

▸ Refer to "Note 4 – Discontinued operations" for information on business divestitures in 1Q14.

In July 2014, the Group entered into an agreement to sell Private Banking & Wealth Management's local affluent and upper affluent business in Italy to Banca Generali S.p.A. The transaction also includes approximately 60 agents of Credit Suisse (Italy) S.p.A., with over EUR 2.0 billion of assets under management. The transaction is expected to close by November 2014, subject to customary closing conditions, including related to regulatory requirements and labor agreements.

In July 2014, the Group announced that with respect to the global macro products business, it decided to exit its small commodities trading business. The Group will also re-focus its foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and will further simplify its rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

## 4 Discontinued operations

In December 2013, the Group announced the sale of its domestic private banking business booked in Germany (German private banking business) to Bethmann Bank AG, a subsidiary of ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of the end of 2Q14, the German private banking business had total assets and liabilities of CHF 979 million and CHF 742 million, respectively, that were held-for-sale. Bethmann Bank AG and ABN AMRO are companies unrelated to the Group.

In January 2014, the Group completed the sale of CFIG, its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in 1Q14 net of allocated goodwill of CHF 23 million. As of the end of 4Q13, CFIG had total assets of CHF 31 million that were held-for-sale. The Group continues to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In March 2014, the Group completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for 1Q14 and prior periods have not been restated. The Group will retain certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Group.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Assets held-for-sale

| end of | **2Q14** | 1Q14 | 4Q13 |
|---|---|---|---|
| **German private banking business (CHF million)** | | | |
| Cash | 277 | 234 | 960 |
| Loans | 686 | 507 | 575 |
| Other assets | 16 | 8 | 18 |
| **Total assets held-for-sale** | **979** | **749** | **1,553** |
| **CFIG (CHF million)** | | | |
| Fees receivable | – | – | 8 |
| Goodwill | – | – | 23 |
| **Total assets held-for-sale** | **–** | **–** | **31** |
| **Group (CHF million)** | | | |
| **Total assets held-for-sale** | **979** | **749** | **1,584** |

### Liabilities held-for-sale

| end of | **2Q14** | 1Q14 | 4Q13 |
|---|---|---|---|
| **German private banking business (CHF million)** | | | |
| Deposits | 696 | 740 | 1,118 |
| Other liabilities | 46 | 41 | 22 |
| **Total liabilities held-for-sale** | **742** | **781** | **1,140** |
| **Group (CHF million)** | | | |
| **Total liabilities held-for-sale** | **742** | **781** | **1,140** |

For the operations discontinued in 2013 and 2014, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

## Income/(loss) from discontinued operations

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Operations-related (CHF million)** | | | | | |
| **Net revenues** | **12** | **12** | **68** | **24** | **142** |
| of which German private banking business | 12 | 8 | 12 | 20 | 26 |
| of which ETF business | – | – | 15 | – | 29 |
| of which Strategic Partners | – | – | 14 | – | 28 |
| of which CFIG | – | 0 | 26 | 0 | 56 |
| Operating expenses | 12 | 16 | 59 | 28 | 111 |
| of which German private banking business | 12 | 14 | 20 | 26 | 38 |
| of which ETF business | – | – | 10 | – | 20 |
| of which Strategic Partners | – | – | 2 | – | 8 |
| of which CFIG | – | 0 | 25 | 0 | 41 |
| Income tax expense/(benefit) | 0 | 1 | 9 | 1 | 22 |
| of which German private banking business | 0 | 0 | 0 | 0 | (1) |
| of which ETF business | – | – | 3 | – | 5 |
| of which Strategic Partners | – | – | 5 | – | 9 |
| of which CFIG | – | 0 | 1 | 0 | 9 |
| **Income/(loss), net of tax** | **0** | **(5)** | **0** | **(5)** | **9** |
| of which German private banking business | 0 | (6) | (8) | (6) | (11) |
| of which ETF business | – | – | 2 | – | 4 |
| of which Strategic Partners | – | – | 7 | – | 11 |
| of which CFIG | – | 0 | 0 | 0 | 6 |
| **Transaction-related (CHF million)** | | | | | |
| **Gain on disposal** | **–** | **91** | **–** | **91** | **–** |
| of which CFIG | – | 91 | – | 91 | – |
| Operating expenses | 9 | 32 | 15 | 41 | 20 |
| of which German private banking business | 9 | 26 | – | 35 | – |
| of which ETF business | – | – | 3 | – | 6 |
| of which Strategic Partners | – | – | 12 | – | 12 |
| of which CFIG | – | 0 | – | 0 | 2 |
| Income tax expense/(benefit) | 0 | 39 | (6) | 39 | (8) |
| of which ETF business | – | – | (1) | – | (2) |
| of which Strategic Partners | – | – | (5) | – | (5) |
| of which CFIG | – | 42 | – | 42 | (1) |
| **Income/(loss), net of tax** | **(9)** | **20** | **(9)** | **11** | **(12)** |
| of which German private banking business | (9) | (26) | – | (35) | – |
| of which ETF business | – | – | (2) | – | (4) |
| of which Strategic Partners | – | – | (7) | – | (7) |
| of which CFIG | – | 49 | – | 49 | (1) |
| **Discontinued operations – total (CHF million)** | | | | | |
| **Income/(loss) from discontinued operations, net of tax** | **(9)** | **15** | **(9)** | **6** | **(3)** |
| of which German private banking business | (9) | (32) | (8) | (41) | (11) |
| of which ETF business | – | – | 0 | – | 0 |
| of which Strategic Partners | – | – | 0 | – | 4 |
| of which CFIG | – | 49 | 0 | 49 | 5 |

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

Beginning in 2Q14, 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 to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on total assets.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on segment information, revenue sharing and cost allocation, funding and taxes.

### Net revenues and income before taxes

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Private Banking & Wealth Management | 3,046 | 3,240 | 3,419 | 6,286 | 6,697 |
| Investment Banking | 3,342 | 3,416 | 3,400 | 6,758 | 7,345 |
| Corporate Center | 45 | (187) | 11 | (142) | (194) |
| Noncontrolling interests without SEI | 30 | 360 | 122 | 390 | 193 |
| **Net revenues** | **6,463** | **6,829** | **6,952** | **13,292** | **14,041** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Private Banking & Wealth Management | (749) | 1,012 | 917 | 263 | 1,798 |
| Investment Banking | 752 | 827 | 754 | 1,579 | 2,054 |
| Corporate Center | (373) | (439) | (131) | (812) | (507) |
| Noncontrolling interests without SEI | 24 | 343 | 105 | 367 | 174 |
| **Income/(loss) from continuing operations before taxes** | **(346)** | **1,743** | **1,645** | **1,397** | **3,519** |

### Total assets

| end of | **2Q14** | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Total assets (CHF million)** | | | | |
| Private Banking & Wealth Management | 322,669 | 324,084 | 316,491 | 308,569 |
| Investment Banking | 525,101 | 521,495 | 519,712 | 575,215 |
| Corporate Center | 42,509 | 31,220 | 32,979 | 31,852 |
| Noncontrolling interests without SEI | 1,301 | 1,291 | 3,624 | 4,267 |
| **Total assets** | **891,580** | **878,090** | **872,806** | **919,903** |

## 6 Net interest income

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,216 | 1,226 | 1,211 | 2,442 | 2,399 |
| Investment securities | 11 | 11 | 13 | 22 | 25 |
| Trading assets | 3,394 | 2,168 | 3,705 | 5,562 | 6,130 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 542 | 561 | 705 | 1,103 | 1,376 |
| Other | 527 | 479 | 586 | 1,006 | 1,112 |
| Interest and dividend income | 5,690 | 4,445 | 6,220 | 10,135 | 11,042 |
| Deposits | (248) | (236) | (260) | (484) | (518) |
| Short-term borrowings | (30) | (22) | (17) | (52) | (97) |
| Trading liabilities | (1,626) | (761) | (1,855) | (2,387) | (3,098) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (262) | (261) | (397) | (523) | (733) |
| Long-term debt | (854) | (927) | (985) | (1,781) | (2,029) |
| Other | (84) | (60) | (66) | (144) | (121) |
| Interest expense | (3,104) | (2,267) | (3,580) | (5,371) | (6,596) |
| **Net interest income** | **2,586** | **2,178** | **2,640** | **4,764** | **4,446** |

## 7 Commissions and fees

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 454 | 434 | 489 | 888 | 930 |
| Investment and portfolio management | 891 | 934 | 1,002 | 1,825 | 1,906 |
| Other securities business | 25 | 23 | 26 | 48 | 54 |
| Fiduciary business | 916 | 957 | 1,028 | 1,873 | 1,960 |
| Underwriting | 603 | 460 | 479 | 1,063 | 898 |
| Brokerage | 890 | 973 | 1,119 | 1,863 | 2,164 |
| Underwriting and brokerage | 1,493 | 1,433 | 1,598 | 2,926 | 3,062 |
| Other services | 446 | 451 | 423 | 897 | 834 |
| **Commissions and fees** | **3,309** | **3,275** | **3,538** | **6,584** | **6,786** |

## 8 Trading revenues

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | 2,969 | 1,250 | (1,109) | 4,219 | 588 |
| Foreign exchange products | (1,337) | (1,014) | 519 | (2,351) | 903 |
| Equity/index-related products | (680) | 176 | 571 | (504) | 489 |
| Credit products | (850) | 40 | 316 | (810) | (44) |
| Commodity, emission and energy products | (17) | 63 | 148 | 46 | 191 |
| Other products | 112 | 123 | (88) | 235 | 45 |
| **Trading revenues** | **197** | **638** | **357** | **835** | **2,172** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 25 | 358 | 152 | 383 | 216 |
| Loans held-for-sale | (1) | 1 | 2 | 0 | (3) |
| Long-lived assets held-for-sale | (2) | 28 | (7) | 26 | (22) |
| Equity method investments | 55 | 61 | 30 | 116 | 66 |
| Other investments | 97 | 110 | 82 | 207 | 139 |
| Other | 197 | 180 | 158 | 377 | 241 |
| **Other revenues** | **371** | **738** | **417** | **1,109** | **637** |

## 10 Provision for credit losses

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | 22 | 30 | 49 | 52 | 69 |
| Provision for lending-related and other exposures | (4) | 4 | 2 | 0 | 4 |
| **Provision for credit losses** | **18** | **34** | **51** | **52** | **73** |

## 11 Compensation and benefits

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,536 | 2,653 | 2,462 | 5,189 | 5,044 |
| Social security | 283 | 188 | 229 | 471 | 451 |
| Other [1] | 154 | 152 | 235 | 306 | 422 |
| **Compensation and benefits [2]** | **2,973** | **2,993** | **2,926** | **5,966** | **5,917** |

[1] Includes pension and other post-retirement expense of CHF 85 million, CHF 84 million, CHF 157 million, CHF 169 million and CHF 267 million in 2Q14, 1Q14, 2Q13, 6M14 and 6M13, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 63 million, CHF 24 million, CHF 90 million, CHF 87 million and CHF 157 million as of 2Q14, 1Q14, 2Q13, 6M14 and 6M13, respectively.

## 12 General and administrative expenses

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 305 | 273 | 283 | 578 | 571 |
| IT, machinery, etc. | 347 | 341 | 377 | 688 | 761 |
| Provisions and losses | 1,810 | 111 | 273 | 1,921 | 443 |
| Travel and entertainment | 90 | 81 | 92 | 171 | 181 |
| Professional services | 545 | 526 | 455 | 1,071 | 902 |
| Amortization and impairment of other intangible assets | 5 | 5 | 7 | 10 | 13 |
| Other | 339 | 353 | 386 | 692 | 734 |
| **General and administrative expenses** | **3,441** | **1,690** | **1,873** | **5,131** | **3,605** |

## 13 Earnings per share

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **(691)** | **844** | **1,054** | **153** | **2,351** |
| Income/(loss) from discontinued operations, net of tax | (9) | 15 | (9) | 6 | (3) |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **159** | **2,348** |
| Preferred securities dividends | – | (28) | (114) | (28) | (114) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(700)** | **831** | **931** | **131** | **2,234** |
| Available for common shares | (752) | 785 | 852 | 79 | 1,918 |
| Available for unvested share-based payment awards | 52 | 46 | 70 | 52 | 164 |
| Available for mandatory convertible securities [1] | – | – | 9 | – | 152 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(700)** | **831** | **931** | **131** | **2,234** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | (17) | – | (22) |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(700)** | **831** | **914** | **131** | **2,212** |
| Available for common shares | (752) | 785 | 838 | 79 | 1,904 |
| Available for unvested share-based payment awards | 52 | 46 | 67 | 52 | 160 |
| Available for mandatory convertible securities [1] | – | – | 9 | – | 148 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,625.0** | **1,621.2** | **1,574.9** | **1,623.1** | **1,464.8** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 23.1 | – | 23.5 |
| Dilutive share options and warrants | 0.0 | 1.4 | 1.9 | 0.7 | 1.9 |
| Dilutive share awards | 0.0 | 5.2 | 1.5 | 2.6 | 1.7 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares** [4] | **1,625.0** [5] | **1,627.8** | **1,601.4** | **1,626.4** | **1,491.9** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **68.3** | **95.5** | **130.0** | **81.9** | **126.3** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities** [1] | **–** | **–** | **20.4** | **–** | **126.1** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | 0.05 | 1.31 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Basic earnings/(loss) per share available for common shares** | **(0.46)** | **0.48** | **0.54** | **0.05** | **1.31** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | 0.05 | 1.28 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share available for common shares** | **(0.46)** | **0.48** | **0.52** | **0.05** | **1.28** |

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

[2] Reflects changes in the fair value of the PAF2 units which were reflected in the net results of the Group until the awards were finally settled. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

[3] Reflects weighted-average shares outstanding on PAF2 units. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

[4] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 8.8 million, 9.1 million, 12.1 million, 8.9 million and 12.9 million for 2Q14, 1Q14, 2Q13, 6M14 and 6M13, respectively.

[5] Due to the net loss in 2Q14, 1.3 million weighted-average share options and warrants outstanding and 12.2 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 14 Trading assets and liabilities

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Trading assets (CHF million)** | | | | |
| Debt securities | 105,038 | 112,678 | 110,116 | 116,923 |
| Equity securities [1] | 88,159 | 83,044 | 76,695 | 78,281 |
| Derivative instruments [2] | 30,957 | 30,538 | 31,603 | 39,240 |
| Other | 11,273 | 10,809 | 10,999 | 11,390 |
| **Trading assets** | **235,427** | **237,069** | **229,413** | **245,834** |
| **Trading liabilities (CHF million)** | | | | |
| Short positions | 40,617 | 40,647 | 40,161 | 49,214 |
| Derivative instruments [2] | 34,512 | 32,382 | 36,474 | 40,703 |
| **Trading liabilities** | **75,129** | **73,029** | **76,635** | **89,917** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | | | |
| Cash collateral paid | 25,122 | 24,735 | 23,870 | 31,514 |
| Cash collateral received | 20,058 | 19,425 | 20,500 | 28,102 |
| **Cash collateral – not netted (CHF million) [2]** | | | | |
| Cash collateral paid | 8,097 | 7,058 | 8,359 | 10,212 |
| Cash collateral received | 12,844 | 11,984 | 11,663 | 13,047 |

[1] Recorded as cash collateral netting on derivative instruments in Note 20 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 17 – Other assets and other liabilities.

## 15 Investment securities

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Investment securities (CHF million)** | | | | |
| Securities available-for-sale | 3,323 | 3,320 | 2,987 | 3,546 |
| **Total investment securities** | **3,323** | **3,320** | **2,987** | **3,546** |

## Investment securities by type

| end of | 2Q14 Amortized cost | 2Q14 Gross unrealized gains | 2Q14 Gross unrealized losses | 2Q14 **Fair value** | 4Q13 Amortized cost | 4Q13 Gross unrealized gains | 4Q13 Gross unrealized losses | 4Q13 **Fair value** |
|---|---|---|---|---|---|---|---|---|
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 373 | 24 | 0 | 397 | 389 | 15 | 2 | 402 |
| Debt securities issued by foreign governments | 1,758 | 52 | 0 | 1,810 | 1,350 | 39 | 1 | 1,388 |
| Corporate debt securities | 573 | 14 | 0 | 587 | 590 | 16 | 0 | 606 |
| Collateralized debt obligations | 408 | 15 | 0 | 423 | 480 | 11 | 1 | 490 |
| Debt securities available-for-sale | 3,112 | 105 | 0 | 3,217 | 2,809 | 81 | 4 | 2,886 |
| Banks, trust and insurance companies | 74 | 22 | 0 | 96 | 74 | 18 | 0 | 92 |
| Industry and all other | 10 | 0 | 0 | 10 | 9 | 0 | 0 | 9 |
| Equity securities available-for-sale | 84 | 22 | 0 | 106 | 83 | 18 | 0 | 101 |
| **Securities available-for-sale** | **3,196** | **127** | **0** | **3,323** | **2,892** | **99** | **4** | **2,987** |

## Gross unrealized losses on investment securities and the related fair value

| end of | Less than 12 months Fair value | Less than 12 months Gross unrealized losses | 12 months or more Fair value | 12 months or more Gross unrealized losses | **Total** Fair value | **Total** Gross unrealized losses |
|---|---|---|---|---|---|---|
| **4Q13 (CHF million)** | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 168 | 2 | 0 | 0 | 168 | 2 |
| Debt securities issued by foreign governments | 109 | 1 | 0 | 0 | 109 | 1 |
| Collateralized debt obligation | 10 | 1 | 0 | 0 | 10 | 1 |
| **Debt securities available-for-sale** | **287** | **4** | **0** | **0** | **287** | **4** |

There were no unrealized losses on investment securities as of the end of 2Q14. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

## Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | **6M14** Debt securities | **6M14** Equity securities | 6M13 Debt securities | 6M13 Equity securities |
|---|---|---|---|---|
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 41 | 7 | 27 | 9 |

## Amortized cost, fair value and average yield of debt securities

| end of | Debt securities available-for-sale Amortized cost | Fair value | Average yield (in %) |
|---|---|---|---|
| **2Q14 (CHF million)** | | | |
| Due within 1 year | 561 | 563 | 1.43 |
| Due from 1 to 5 years | 1,666 | 1,730 | 2.35 |
| Due from 5 to 10 years | 832 | 868 | 1.46 |
| Due after 10 years | 53 | 56 | 1.62 |
| **Total debt securities** | **3,112** | **3,217** | **1.93** |

## 16 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on loans, allowance for loan losses, credit quality and impaired loans.

### Loans

| end of | **2Q14** | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Loans (CHF million)** | | | | |
| Mortgages | 96,915 | 95,700 | 94,978 | 93,602 |
| Loans collateralized by securities | 35,882 | 34,253 | 31,565 | 30,316 |
| Consumer finance | 5,438 | 5,783 | 5,938 | 7,368 |
| Consumer | 138,235 | 135,736 | 132,481 | 131,286 |
| Real estate | 27,268 | 27,320 | 27,312 | 26,244 [1] |
| Commercial and industrial loans | 65,734 | 65,760 | 63,334 | 63,718 [1] |
| Financial institutions | 21,058 | 19,472 | 21,840 | 23,113 [1] |
| Governments and public institutions | 3,177 | 3,341 | 3,047 | 2,815 [1] |
| Corporate & institutional | 117,237 | 115,893 | 115,533 | 115,890 |
| **Gross loans** | **255,472** | **251,629** | **248,014** | **247,176** |
| of which held at amortized cost | 235,575 | 231,649 | 228,557 | 227,606 |
| of which held at fair value | 19,897 | 19,980 | 19,457 | 19,570 |
| Net (unearned income)/deferred expenses | (119) | (104) | (91) | (90) |
| Allowance for loan losses | (821) | (866) | (869) | (900) |
| **Net loans** | **254,532** | **250,659** | **247,054** | **246,186** |
| **Gross loans by location (CHF million)** | | | | |
| Switzerland | 156,377 | 153,766 | 151,992 | 150,810 |
| Foreign | 99,095 | 97,863 | 96,022 | 96,366 |
| **Gross loans** | **255,472** | **251,629** | **248,014** | **247,176** |
| **Impaired loan portfolio (CHF million)** | | | | |
| Non-performing loans | 851 | 845 | 862 | 904 |
| Non-interest-earning loans | 286 | 283 | 281 | 305 |
| Total non-performing and non-interest-earning loans | 1,137 | 1,128 | 1,143 | 1,209 |
| Restructured loans | 83 | 29 [2] | 6 | 20 |
| Potential problem loans | 252 | 342 [2] | 340 | 444 |
| Total other impaired loans | 335 | 371 | 346 | 464 |
| **Gross impaired loans** | **1,472** | **1,499** | **1,489** | **1,673** |

[1] Prior periods have been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

[2] Prior period has been corrected to reclassify a counterparty exposure from potential problem loans to restructured loans.

## Allowance for loan losses by loan portfolio

| | | | 2Q14 | | | 1Q14 | | | 2Q13 |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **263** | **603** | **866** | **267** | **602** | **869** | **285** | **631** | **916** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net movements recognized in statements of operations | 20 | 2 | 22 | 17 | 13 | 30 | 15 | 34 | 49 |
| Gross write-offs | (28) | (64) | (92) | (26) | (20) | (46) | (27) | (72) | (99) |
| Recoveries | 4 | 15 | 19 | 5 | 5 | 10 | 7 | 22 | 29 |
| Net write-offs | (24) | (49) | (73) | (21) | (15) | (36) | (20) | (50) | (70) |
| Provisions for interest | 0 | 3 | 3 | 1 | 4 | 5 | 0 | 6 | 6 |
| Foreign currency translation impact and other adjustments, net | 1 | 2 | 3 | (1) | (1) | (2) | 2 | (3) | (1) |
| **Balance at end of period** | **260** | **561** | **821** | **263** | **603** | **866** | **282** | **618** | **900** |
| of which individually evaluated for impairment | 210 | 403 | 613 | 213 | 440 | 653 | 229 | 447 | 676 |
| of which collectively evaluated for impairment | 50 | 158 | 208 | 50 | 163 | 213 | 53 | 171 | 224 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **138,223** | **97,352** | **235,575** | **135,725** | **95,924** | **231,649** | **131,276** | **96,330** | **227,606** |
| of which individually evaluated for impairment [1] | 613 | 859 | 1,472 | 560 | 939 | 1,499 | 607 | 1,066 | 1,673 |
| of which collectively evaluated for impairment | 137,610 | 96,493 | 234,103 | 135,165 | 94,985 | 230,150 | 130,669 | 95,264 | 225,933 |

| | | | 6M14 | | | 6M13 |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **267** | **602** | **869** | **288** | **634** | **922** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 |
| Net movements recognized in statements of operations | 37 | 15 | 52 | 36 | 33 | 69 |
| Gross write-offs | (54) | (84) | (138) | (60) | (93) | (153) |
| Recoveries | 9 | 20 | 29 | 12 | 24 | 36 |
| Net write-offs | (45) | (64) | (109) | (48) | (69) | (117) |
| Provisions for interest | 1 | 7 | 8 | 2 | 11 | 13 |
| Foreign currency translation impact and other adjustments, net | 0 | 1 | 1 | 4 | 9 | 13 |
| **Balance at end of period** | **260** | **561** | **821** | **282** | **618** | **900** |

[1] Represents gross impaired loans both with and without a specific allowance.

### Purchases, reclassifications and sales

| | | | 2Q14 | | | 1Q14 | | | 2Q13 |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 18 | 982 | 1,000 | 11 | 423 | 434 | 0 | 423 | 423 |
| Reclassifications from loans held-for-sale [2] | 0 | 165 | 165 | 0 | 23 | 23 | 0 | 62 | 62 |
| Reclassifications to loans held-for-sale [3] | 0 | 334 | 334 | 0 | 76 | 76 | 0 | 132 | 132 |
| Sales [3] | 0 | 11 | 11 | 0 | 53 | 53 | 0 | 70 | 70 |

| | | | 6M14 | | | 6M13 |
|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 29 | 1,405 | 1,434 | 0 | 2,115 | 2,115 |
| Reclassifications from loans held-for-sale [2] | 0 | 188 | 188 | 0 | 106 | 106 |
| Reclassifications to loans held-for-sale [3] | 0 | 410 | 410 | 0 | 308 | 308 |
| Sales [3] | 0 | 64 | 64 | 0 | 187 | 187 |

1 Includes drawdowns under purchased loan commitments.
2 Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
3 All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

**Credit quality of loans held at amortized cost**
Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses internal risk ratings as credit quality indicators.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

▸ Refer to "Credit quality of loans held at amortized cost" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on internal ratings and the scope of the credit quality disclosures.

**Gross loans held at amortized cost by internal counterparty rating**

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2Q14 (CHF million)** | | | | | | | | | | | |
| Mortgages | 509 | 2,514 | 18,009 | 58,673 | 16,165 | 781 | 32 | 1 | 0 | 231 | 96,915 |
| Loans collateralized by securities | 1,834 | 717 | 4,557 | 26,235 | 2,210 | 228 | 5 | 9 | 0 | 87 | 35,882 |
| Consumer finance | 250 | 51 | 112 | 2,077 | 1,834 | 690 | 29 | 0 | 122 | 261 | 5,426 |
| Consumer | 2,593 | 3,282 | 22,678 | 86,985 | 20,209 | 1,699 | 66 | 10 | 122 | 579 | 138,223 |
| Real estate | 867 | 1,602 | 2,723 | 14,970 | 6,276 | 270 | 0 | 0 | 0 | 93 | 26,801 |
| Commercial and industrial loans | 451 | 988 | 1,849 | 22,411 | 24,047 | 3,908 | 226 | 15 | 10 | 611 | 54,516 |
| Financial institutions | 924 | 1,608 | 2,939 | 6,261 | 2,253 | 441 | 104 | 17 | 0 | 98 | 14,645 |
| Governments and public institutions | 49 | 368 | 173 | 403 | 117 | 58 | 222 | 0 | 0 | 0 | 1,390 |
| Corporate & institutional | 2,291 | 4,566 | 7,684 | 44,045 | 32,693 | 4,677 | 552 | 32 | 10 | 802 | 97,352 |
| **Gross loans held at amortized cost** | **4,884** | **7,848** | **30,362** | **131,030** | **52,902** | **6,376** | **618** | **42** | **132** | **1,381** | **235,575** |
| Value of collateral [1] | 3,866 | 6,675 | 27,168 | 123,969 | 44,650 | 4,153 | 118 | 33 | 12 | 726 | 211,370 |
| **4Q13 (CHF million)** | | | | | | | | | | | |
| Mortgages | 302 | 2,257 | 17,398 | 57,033 | 16,857 | 883 | 39 | 0 | 0 | 209 | 94,978 |
| Loans collateralized by securities | 182 | 349 | 4,214 | 24,497 | 2,131 | 90 | 2 | 6 | 0 | 94 | 31,565 |
| Consumer finance | 0 | 14 | 226 | 2,501 | 1,952 | 824 | 43 | 0 | 119 | 248 | 5,927 |
| Consumer | 484 | 2,620 | 21,838 | 84,031 | 20,940 | 1,797 | 84 | 6 | 119 | 551 | 132,470 |
| Real estate | 1,344 | 1,050 | 3,511 | 13,669 | 6,897 | 322 | 0 | 1 | 0 | 72 | 26,866 |
| Commercial and industrial loans | 183 | 740 | 1,901 | 21,232 | 23,131 | 3,621 | 232 | 6 | 6 | 671 | 51,723 |
| Financial institutions | 1,319 | 1,706 | 4,041 | 5,625 | 2,440 | 776 | 14 | 1 | 0 | 112 | 16,034 |
| Governments and public institutions | 78 | 324 | 178 | 440 | 148 | 73 | 223 | 0 | 0 | 0 | 1,464 |
| Corporate & institutional | 2,924 | 3,820 | 9,631 | 40,966 | 32,616 | 4,792 | 469 | 8 | 6 | 855 | 96,087 |
| **Gross loans held at amortized cost** | **3,408** | **6,440** | **31,469** | **124,997** | **53,556** | **6,589** | **553** | **14** | **125** | **1,406** | **228,557** |
| Value of collateral [1] | 2,553 | 5,046 | 28,186 | 116,971 | 45,376 | 3,372 | 102 | 1 | 10 | 616 | 202,233 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

### Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

## Gross loans held at amortized cost – aging analysis

| | Current | | | | | Past due | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **2Q14 (CHF million)** | | | | | | | |
| Mortgages | 96,494 | 147 | 42 | 29 | 203 | 421 | 96,915 |
| Loans collateralized by securities | 35,663 | 118 | 3 | 10 | 88 | 219 | 35,882 |
| Consumer finance | 4,451 | 640 | 82 | 61 | 192 | 975 | 5,426 |
| Consumer | 136,608 | 905 | 127 | 100 | 483 | 1,615 | 138,223 |
| Real estate | 26,691 | 18 | 1 | 0 | 91 | 110 | 26,801 |
| Commercial and industrial loans | 53,455 | 582 | 68 | 123 | 288 | 1,061 | 54,516 |
| Financial institutions | 14,357 | 171 | 2 | 0 | 115 | 288 | 14,645 |
| Governments and public institutions | 1,388 | 2 | 0 | 0 | 0 | 2 | 1,390 |
| Corporate & institutional | 95,891 | 773 | 71 | 123 | 494 | 1,461 | 97,352 |
| **Gross loans held at amortized cost** | **232,499** | **1,678** | **198** | **223** | **977** | **3,076** | **235,575** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 94,657 | 103 | 26 | 25 | 167 | 321 | 94,978 |
| Loans collateralized by securities | 31,365 | 95 | 2 | 12 | 91 | 200 | 31,565 |
| Consumer finance | 5,218 | 377 | 93 | 55 | 184 | 709 | 5,927 |
| Consumer | 131,240 | 575 | 121 | 92 | 442 | 1,230 | 132,470 |
| Real estate | 26,774 | 19 | 2 | 2 | 69 | 92 | 26,866 |
| Commercial and industrial loans | 50,879 | 343 | 77 | 74 | 350 | 844 | 51,723 |
| Financial institutions | 15,841 | 87 | 2 | 1 | 103 | 193 | 16,034 |
| Governments and public institutions | 1,459 | 5 | 0 | 0 | 0 | 5 | 1,464 |
| Corporate & institutional | 94,953 | 454 | 81 | 77 | 522 | 1,134 | 96,087 |
| **Gross loans held at amortized cost** | **226,193** | **1,029** | **202** | **169** | **964** | **2,364** | **228,557** |

## Impaired loans

▸ Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on impaired loan categories and allowance for specifically identified credit losses on impaired loans.

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **2Q14 (CHF million)** | | | | | | | |
| Mortgages | 192 | 19 | 211 | 0 | 45 | 45 | 256 |
| Loans collateralized by securities | 22 | 68 | 90 | 0 | 3 | 3 | 93 |
| Consumer finance | 249 | 5 | 254 | 0 | 10 | 10 | 264 |
| Consumer | 463 | 92 | 555 | 0 | 58 | 58 | 613 |
| Real estate | 78 | 15 | 93 | 0 | 3 | 3 | 96 |
| Commercial and industrial loans | 226 | 147 | 373 | 83 | 188 | 271 | 644 |
| Financial institutions | 84 | 32 | 116 | 0 | 3 | 3 | 119 |
| Corporate & institutional | 388 | 194 | 582 | 83 | 194 | 277 | 859 |
| **Gross impaired loans** | **851** | **286** | **1,137** | **83** | **252** | **335** | **1,472** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 167 | 13 | 180 | 0 | 45 | 45 | 225 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 4 | 4 | 95 |
| Consumer finance | 244 | 5 | 249 | 0 | 0 | 0 | 249 |
| Consumer | 431 | 89 | 520 | 0 | 49 | 49 | 569 |
| Real estate | 53 | 15 | 68 | 0 | 5 | 5 | 73 |
| Commercial and industrial loans | 307 | 144 | 451 | 6 | 258 | 264 | 715 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 431 | 192 | 623 | 6 | 291 | 297 | 920 |
| **Gross impaired loans** | **862** | **281** | **1,143** | **6** | **340** | **346** | **1,489** |

## Gross impaired loan detail

| | 2Q14 | | | 4Q13 | | |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 205 | 194 | 29 | 207 | 197 | 28 |
| Loans collateralized by securities | 67 | 63 | 51 | 67 | 63 | 55 |
| Consumer finance | 224 | 205 | 130 | 231 | 211 | 134 |
| Consumer | 496 | 462 | 210 | 505 | 471 | 217 |
| Real estate | 94 | 88 | 10 | 71 | 65 | 15 |
| Commercial and industrial loans | 611 | 562 | 323 | 705 | 656 | 340 |
| Financial institutions | 119 | 114 | 70 | 131 | 127 | 82 |
| Corporate & institutional | 824 | 764 | 403 | 907 | 848 | 437 |
| **Gross impaired loans with a specific allowance** | **1,320** | **1,226** | **613** | **1,412** | **1,319** | **654** |
| Mortgages | 51 | 51 | – | 18 | 18 | – |
| Loans collateralized by securities | 26 | 26 | – | 28 | 28 | – |
| Consumer finance | 40 | 40 | – | 18 | 18 | – |
| Consumer | 117 | 117 | – | 64 | 64 | – |
| Real estate | 2 | 2 | – | 2 | 2 | – |
| Commercial and industrial loans | 33 | 33 | – | 10 | 10 | – |
| Financial institutions | 0 | 0 | – | 1 | 1 | – |
| Corporate & institutional | 35 | 35 | – | 13 | 13 | – |
| **Gross impaired loans without specific allowance** | **152** | **152** | **–** | **77** | **77** | **–** |
| **Gross impaired loans** | **1,472** | **1,378** | **613** | **1,489** | **1,396** | **654** |
| of which consumer | 613 | 579 | 210 | 569 | 535 | 217 |
| of which corporate & institutional | 859 | 799 | 403 | 920 | 861 | 437 |

## Gross impaired loan detail (continued)

| | 2Q14 | | | 1Q14 | | | 2Q13 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 197 | 1 | 1 | 200 | 0 | 0 | 210 | 1 | 1 |
| Loans collateralized by securities | 65 | 0 | 0 | 65 | 0 | 0 | 74 | 0 | 0 |
| Consumer finance | 223 | 0 | 0 | 228 | 0 | 0 | 258 | 0 | 0 |
| Consumer | 485 | 1 | 1 | 493 | 0 | 0 | 542 | 1 | 1 |
| Real estate | 81 | 0 | 0 | 80 | 0 | 0 | 74 | 0 | 0 |
| Commercial and industrial loans | 676 | 0 | 0 | 698 | 0 | 0 | 810 | 0 | 0 |
| Financial institutions | 119 | 0 | 0 | 129 | 0 | 0 | 135 | 0 | 0 |
| Corporate & institutional | 876 | 0 | 0 | 907 | 0 | 0 | 1,019 | 0 | 0 |
| **Gross impaired loans with a specific allowance** | **1,361** | **1** | **1** | **1,400** | **0** | **0** | **1,561** | **1** | **1** |
| Mortgages | 30 | 0 | 0 | 20 | 0 | 0 | 26 | 0 | 0 |
| Loans collateralized by securities | 40 | 0 | 0 | 27 | 0 | 0 | 27 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 18 | 0 | 0 | 18 | 0 | 0 |
| Consumer | 92 | 0 | 0 | 65 | 0 | 0 | 71 | 0 | 0 |
| Real estate | 19 | 0 | 0 | 6 | 0 | 0 | 11 | 0 | 0 |
| Commercial and industrial loans | 12 | 0 | 0 | 11 | 0 | 0 | 91 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| Corporate & institutional | 31 | 0 | 0 | 17 | 0 | 0 | 105 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **123** | **0** | **0** | **82** | **0** | **0** | **176** | **0** | **0** |
| **Gross impaired loans** | **1,484** | **1** | **1** | **1,482** | **0** | **0** | **1,737** | **1** | **1** |
| of which consumer | 577 | 1 | 1 | 558 | 0 | 0 | 613 | 1 | 1 |
| of which corporate & institutional | 907 | 0 | 0 | 924 | 0 | 0 | 1,124 | 0 | 0 |

## Gross impaired loan detail (continued)

| | 6M14 | | | 6M13 | | |
|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 198 | 1 | 1 | 201 | 1 | 1 |
| Loans collateralized by securities | 65 | 0 | 0 | 71 | 0 | 0 |
| Consumer finance | 226 | 0 | 0 | 269 | 0 | 0 |
| Consumer | 489 | 1 | 1 | 541 | 1 | 1 |
| Real estate | 80 | 0 | 0 | 68 | 0 | 0 |
| Commercial and industrial loans | 688 | 0 | 0 | 782 | 3 | 3 |
| Financial institutions | 124 | 0 | 0 | 145 | 0 | 0 |
| Corporate & institutional | 892 | 0 | 0 | 995 | 3 | 3 |
| **Gross impaired loans with a specific allowance** | **1,381** | **1** | **1** | **1,536** | **4** | **4** |
| Mortgages | 25 | 0 | 0 | 32 | 0 | 0 |
| Loans collateralized by securities | 34 | 0 | 0 | 27 | 0 | 0 |
| Consumer finance | 20 | 0 | 0 | 28 | 0 | 0 |
| Consumer | 79 | 0 | 0 | 87 | 0 | 0 |
| Real estate | 13 | 0 | 0 | 7 | 0 | 0 |
| Commercial and industrial loans | 12 | 0 | 0 | 103 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 3 | 0 | 0 |
| Corporate & institutional | 25 | 0 | 0 | 113 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **104** | **0** | **0** | **200** | **0** | **0** |
| **Gross impaired loans** | **1,485** | **1** | **1** | **1,736** | **4** | **4** |
| of which consumer | 568 | 1 | 1 | 628 | 1 | 1 |
| of which corporate & institutional | 917 | 0 | 0 | 1,108 | 3 | 3 |

## 17 Other assets and other liabilities

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Other assets (CHF million)** | | | | |
| Cash collateral on derivative instruments | 8,097 | 7,058 | 8,359 | 10,212 |
| Cash collateral on non-derivative transactions | 2,445 | 1,541 | 1,412 | 1,905 |
| Derivative instruments used for hedging | 2,100 | 1,894 | 2,062 | 2,387 |
| Assets held-for-sale | 20,102 | 20,615 | 19,306 | 23,763 |
| of which loans | 19,755 | 20,223 | 18,914 | 23,284 |
| of which real estate | 347 | 392 | 392 | 478 |
| Assets held for separate accounts | 9,046 | 10,268 | 11,236 | 12,032 |
| Interest and fees receivable | 6,041 | 4,831 | 4,859 | 5,733 |
| Deferred tax assets | 5,557 | 5,683 | 6,185 | 6,599 |
| Prepaid expenses | 649 | 585 | 552 | 809 |
| Failed purchases | 2,996 | 2,542 | 2,365 | 3,131 |
| Other | 7,656 | 7,388 | 6,729 | 6,415 |
| **Other assets** | **64,689** | **62,405** | **63,065** | **72,986** |
| **Other liabilities (CHF million)** | | | | |
| Cash collateral on derivative instruments | 12,844 | 11,984 | 11,663 | 13,047 |
| Cash collateral on non-derivative transactions | 740 | 754 | 955 | 1,957 |
| Derivative instruments used for hedging | 202 | 512 | 384 | 763 |
| Provisions [1] | 2,653 | 2,633 | 2,641 | 1,251 |
| of which off-balance sheet risk | 59 | 62 | 60 | 65 |
| Liabilities held for separate accounts | 9,046 | 10,268 | 11,236 | 12,032 |
| Interest and fees payable | 6,055 | 5,001 | 5,641 | 7,665 |
| Current tax liabilities | 788 | 841 | 864 | 853 |
| Deferred tax liabilities | 423 | 427 | 394 | 165 |
| Failed sales | 1,267 | 2,235 | 2,396 | 2,944 |
| Other | 14,895 | 14,113 | 15,273 | 15,440 |
| **Other liabilities** | **48,913** | **48,768** | **51,447** | **56,117** |

[1] Includes provisions for bridge commitments.

## 18 Long-term debt

### Long-term debt

| end of | 2Q14 | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Long-term debt (CHF million)** | | | | |
| Senior | 108,419 | 99,050 | 96,048 | 102,475 |
| Subordinated | 23,551 | 21,145 | 21,002 | 15,580 |
| Non-recourse liabilities from consolidated VIEs | 11,857 | 12,239 | 12,992 | 15,450 |
| **Long-term debt** | **143,827** | **132,434** | **130,042** | **133,505** |
| of which reported at fair value | 70,217 | 64,694 | 63,369 | 63,942 |
| of which structured notes | 41,739 | 38,427 | 34,815 | 34,320 |

### Structured notes by product

| end of | 2Q14 | 1Q14 | 4Q13 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 29,855 | 26,362 | 22,605 |
| Fixed income | 6,080 | 5,981 | 6,455 |
| Credit | 4,778 | 4,826 | 5,016 |
| Other | 1,026 | 1,258 | 739 |
| **Total structured notes** | **41,739** | **38,427** | **34,815** |

## 19 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumu-lated other compre-hensive income** |
|---|---|---|---|---|---|---|
| **2Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **6** | **(13,922)** | **60** | **(2,722)** | **495** | **(16,083)** |
| Increase/(decrease) | 12 | 62 | 12 | 4 | 0 | 90 |
| Increase/(decrease) due to equity method investments | 5 | 0 | 0 | 0 | 0 | 5 |
| Reclassification adjustments, included in net income | (5) | 0 | 0 | 38 | (22) | 11 |
| Total increase/(decrease) | 12 | 62 | 12 | 42 | (22) | 106 |
| **Balance at end of period** | **18** | **(13,860)** | **72** | **(2,680)** | **473** | **(15,977)** |
| **1Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| Increase/(decrease) | 12 | (248) | 8 | (3) | 0 | (231) |
| Increase/(decrease) due to equity method investments | 8 | 0 | 0 | 0 | 0 | 8 |
| Reclassification adjustments, included in net income | (3) | 0 | 0 | 38 | (20) | 15 |
| Total increase/(decrease) | 17 | (248) | 8 | 35 | (20) | (208) |
| **Balance at end of period** | **6** | **(13,922)** | **60** | **(2,722)** | **495** | **(16,083)** |
| **2Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(27)** | **(11,967)** | **77** | **(3,731)** | **583** | **(15,065)** |
| Increase/(decrease) | (22) | (159) | (14) | 15 | 0 | (180) |
| Increase/(decrease) due to equity method investments | 5 | 0 | 0 | 0 | 0 | 5 |
| Reclassification adjustments, included in net income | 2 | 2 | 0 | 66 | (31) | 39 |
| Total increase/(decrease) | (15) | (157) | (14) | 81 | (31) | (136) |
| **Balance at end of period** | **(42)** | **(12,124)** | **63** | **(3,650)** | **552** | **(15,201)** |
| **6M14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| Increase/(decrease) | 24 | (186) | 20 | 1 | 0 | (141) |
| Increase/(decrease) due to equity method investments | 13 | 0 | 0 | 0 | 0 | 13 |
| Reclassification adjustments, included in net income | (8) | 0 | 0 | 76 | (42) | 26 |
| Total increase/(decrease) | 29 | (186) | 20 | 77 | (42) | (102) |
| **Balance at end of period** | **18** | **(13,860)** | **72** | **(2,680)** | **473** | **(15,977)** |
| **6M13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | (17) | 595 | (21) | 21 | 0 | 578 |
| Increase/(decrease) due to equity method investments | 2 | 0 | 0 | 0 | 0 | 2 |
| Reclassification adjustments, included in net income | 2 | 48 | 0 | 130 | (58) | 122 |
| Total increase/(decrease) | (13) | 643 | (21) | 151 | (58) | 702 |
| **Balance at end of period** | **(42)** | **(12,124)** | **63** | **(3,650)** | **552** | **(15,201)** |

## Details on significant reclassification adjustments

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | | | | | |
| **Cumulative translation adjustments** | | | | | |
| Sale of subsidiaries | **0** | **0** | **2** | **0** | **48** [1] |
| **Actuarial gains/(losses)** | | | | | |
| Amortization of recognized actuarial losses [2] | 50 | 50 | 88 | 100 | 174 |
| Tax expense/(benefit) | (12) | (12) | (22) | (24) | (44) |
| **Net of tax** | **38** | **38** | **66** | **76** | **130** |
| **Net prior service credit/(cost)** | | | | | |
| Amortization of recognized prior service credit/(cost) [2] | (28) | (25) | (40) | (53) | (74) |
| Tax expense | 6 | 5 | 9 | 11 | 16 |
| **Net of tax** | **(22)** | **(20)** | **(31)** | **(42)** | **(58)** |

1 Includes net releases of CHF 46 million in 1Q13 on the sale of JO Hambro. Upon settlement in 3Q13, further net releases of CHF 38 million were recognized. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.
2 These components are included in the computation of total benefit costs. Refer to "Note 23 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **1,596,119,349** | **1,596,119,349** | **1,339,652,645** | **1,596,119,349** | **1,320,829,922** |
| Issuance of common shares | 11,049,598 | 0 | 254,643,090 | 11,049,598 | 273,465,813 |
| of which MACCS settlement | 0 | 0 | 199,964,015 | 0 | 199,964,015 |
| of which share-based compensation | 11,049,598 | 0 | 17,126,788 | 11,049,598 | 35,949,511 |
| **Balance at end of period** | **1,607,168,947** | **1,596,119,349** | **1,594,295,735** | **1,607,168,947** | **1,594,295,735** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(8,866,124)** | **(5,183,154)** | **(27,495,313)** | **(5,183,154)** | **(27,036,831)** |
| Sale of treasury shares | 78,696,088 | 67,970,125 | 144,989,659 | 146,666,213 | 230,922,166 |
| of which MACCS settlement | 0 | 0 | 33,488,655 | 0 | 33,488,655 |
| Repurchase of treasury shares | (101,311,442) | (72,306,505) | (121,624,269) | (173,617,947) | (212,129,195) |
| Share-based compensation | 24,285,332 | 653,410 | 1,801,542 | 24,938,742 | 5,915,479 |
| **Balance at end of period** | **(7,196,146)** | **(8,866,124)** | **(2,328,381)** | **(7,196,146)** | **(2,328,381)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **1,599,972,801** [1] | **1,587,253,225** [2] | **1,591,967,354** [3] | **1,599,972,801** [1] | **1,591,967,354** [3] |

1 At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
2 At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,049,598 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
3 At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 662,873,212 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

## 20 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives mainly under ISDA Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| | | 2Q14 | | 4Q13 |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 212.7 | 207.1 | 265.4 | 262.1 |
| OTC | 182.5 | 178.7 | 183.0 | 178.1 |
| Exchange-traded | 0.1 | 0.0 | 0.3 | 0.0 |
| **Interest rate products** | **395.3** | **385.8** | **448.7** | **440.2** |
| OTC | 41.8 | 53.7 | 58.5 | 68.2 |
| Exchange-traded | 0.1 | 0.1 | 0.1 | 0.2 |
| **Foreign exchange products** | **41.9** | **53.8** | **58.6** | **68.4** |
| OTC | 13.6 | 16.1 | 15.5 | 18.6 |
| Exchange-traded | 12.8 | 14.4 | 14.8 | 15.1 |
| **Equity/index-related products** | **26.4** | **30.5** | **30.3** | **33.7** |
| OTC-cleared | 6.4 | 5.9 | 5.2 | 5.1 |
| OTC | 18.6 | 19.8 | 20.8 | 21.2 |
| **Credit derivatives** | **25.0** | **25.7** | **26.0** | **26.3** |
| OTC | 3.8 | 2.6 | 4.4 | 4.0 |
| Exchange-traded | 0.5 | 0.7 | 0.5 | 0.8 |
| **Other products** | **4.3** | **3.3** | **4.9** | **4.8** |
| OTC-cleared | 219.1 | 213.0 | 270.6 | 267.2 |
| OTC | 260.3 | 270.9 | 282.2 | 290.1 |
| Exchange-traded | 13.5 | 15.2 | 15.7 | 16.1 |
| **Total gross derivatives subject to enforceable master netting agreements** | **492.9** | **499.1** | **568.5** | **573.4** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (216.1) | (212.8) | (269.1) | (267.0) |
| OTC | (239.8) | (247.8) | (260.7) | (265.7) |
| Exchange-traded | (13.1) | (13.6) | (15.1) | (15.1) |
| **Offsetting** | **(469.0)** | **(474.2)** | **(544.9)** | **(547.8)** |
| of which counterparty netting | (448.9) | (448.9) | (523.9) | (523.9) |
| of which cash collateral netting | (20.1) | (25.3) | (21.0) | (23.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 3.0 | 0.2 | 1.5 | 0.2 |
| OTC | 20.5 | 23.1 | 21.5 | 24.4 |
| Exchange-traded | 0.4 | 1.6 | 0.6 | 1.0 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.9** | **24.9** | **23.6** | **25.6** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **9.2** | **9.8** | **10.1** | **11.3** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.1** | **34.7** | **33.7** | **36.9** |
| of which recorded in trading assets and trading liabilities | 31.0 | 34.5 | 31.6 | 36.5 |
| of which recorded in other assets and other liabilities | 2.1 | 0.2 | 2.1 | 0.4 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of June 30, 2014 and December 31, 2013. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| | | | 2Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 113.6 | (32.4) | 81.2 | 112.0 | (25.1) | 86.9 |
| Securities borrowing transactions | 16.7 | 0.0 | 16.7 | 22.7 | (1.7) | 21.0 |
| **Total subject to enforceable master netting agreements** | **130.3** | **(32.4)** | **97.9** | **134.7** | **(26.8)** | **107.9** |
| **Total not subject to enforceable master netting agreements** [1] | **67.8** | **–** | **67.8** | **52.1** | **–** | **52.1** |
| **Total** | **198.1** | **(32.4)** | **165.7** [2] | **186.8** | **(26.8)** | **160.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 86,586 million and CHF 96,587 million of the total net amount as of the end of 2Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 2Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | **Net** | Gross | Offsetting | **Net** |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 82.8 | (32.4) | 50.4 | 86.5 | (26.8) | 59.7 |
| Securities lending transactions | 9.3 | 0.0 | 9.3 | 6.6 | 0.0 | 6.6 |
| Obligation to return securities received as collateral, at fair value | 17.3 | 0.0 | 17.3 | 18.5 | 0.0 | 18.5 |
| **Total subject to enforceable master netting agreements** | **109.4** | **(32.4)** | **77.0** | **111.6** | **(26.8)** | **84.8** |
| **Total not subject to enforceable master netting agreements** [1] | **32.7** | **–** | **32.7** | **32.0** | **–** | **32.0** |
| **Total** | **142.1** | **(32.4)** | **109.7** | **143.6** | **(26.8)** | **116.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.5 | (32.4) | 88.1 [2] | 120.8 | (26.8) | 94.0 [2] |
| of which obligation to return securities received as collateral, at fair value | 21.6 | 0.0 | 21.6 | 22.8 | 0.0 | 22.8 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 60,529 million and CHF 76,104 million of the total net amount as of the end of 2Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

## Amounts not offset in the consolidated balance sheets

| | | | | 2Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.9 | 4.2 | 0.0 | 19.7 | 23.6 | 4.9 | 0.1 | 18.6 |
| Securities purchased under resale agreements | 81.2 | 81.2 | 0.0 | 0.0 | 86.9 | 86.9 | 0.0 | 0.0 |
| Securities borrowing transactions | 16.7 | 16.3 | 0.0 | 0.4 | 21.0 | 20.2 | 0.0 | 0.8 |
| **Total financial assets subject to enforceable master netting agreements** | **121.8** | **101.7** | **0.0** | **20.1** | **131.5** | **112.0** | **0.1** | **19.4** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.9 | 9.6 | 0.0 | 15.3 | 25.6 | 9.9 | 0.0 | 15.7 |
| Securities sold under repurchase agreements | 50.4 | 50.4 | 0.0 | 0.0 | 59.7 | 59.7 | 0.0 | 0.0 |
| Securities lending transactions | 9.3 | 9.1 | 0.0 | 0.2 | 6.6 | 6.2 | 0.0 | 0.4 |
| Obligation to return securities received as collateral, at fair value | 17.3 | 16.5 | 0.0 | 0.8 | 18.5 | 17.5 | 0.0 | 1.0 |
| **Total financial liabilities subject to enforceable master netting agreements** | **101.9** | **85.6** | **0.0** | **16.3** | **110.4** | **93.3** | **0.0** | **17.1** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative for the Group's counterparty exposure.

## 21 Tax

The income tax expense of CHF 307 million recorded in 2Q14 reflected the impact of the geographical mix of results, the recognition of additional Swiss deferred tax assets relating to timing differences following certain changes in Swiss GAAP and the re-assessment of UK deferred tax assets resulting in a reduction of deferred tax assets on net operating losses.

The presentation of income tax expense and deferred tax assets and liabilities is in accordance with ASC Topic 740 – Income Taxes – guidance to interim reporting.

The quarterly income tax expense includes the impact of the continuous re-assessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of June 30, 2014, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 6.6 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 55 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2010; Brazil – 2009; Japan – 2009; the UK – 2006; the US – 2006; and the Netherlands – 2005.

### Effective tax rate

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | **(88.7)** | 31.2 | 28.7 | **60.8** | 27.6 |

### Tax expense reconciliation

| in | **2Q14** |
|---|---|
| **CHF million** | |
| **Income tax expense/(benefit) computed at the Swiss statutory tax rate of 22%** | **(76)** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 228 |
| Other non-deductible expenses | 386 |
| Changes in deferred tax valuation allowance | 505 |
| Lower taxed income | (5) |
| Income taxable to noncontrolling interests | (10) |
| Change in recognition of outside basis difference | (733) |
| Other | 12 |
| **Income tax expense** | **307** |

#### Foreign tax rate differential

2Q14 included a foreign tax expense of CHF 228 million in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US.

#### Other non-deductible expenses

2Q14 included the impact of CHF 328 million relating to the non-deductible amount of the litigation settlement charge, non-deductible interest expenses of CHF 40 million, non-deductible bank levy costs and other non-deductible expenses of CHF 18 million.

#### Changes in deferred tax valuation allowance

2Q14 included the impact of the increase of valuation allowances of CHF 105 million mainly in respect of three of the Group's operating entities, two in Europe and one in Asia, related to estimated current year earnings. Additionally, it also included an increase in valuation allowance for previously recognized deferred tax assets in respect of a Group operating entity in the UK of CHF 400 million.

#### Lower taxed income

2Q14 included a CHF 5 million income tax benefit related to non-taxable life insurance income.

#### Change in recognition of outside basis difference

2Q14 included a CHF 733 million income tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

### Other

2Q14 included a tax charge of CHF 7 million relating to non-recoverable foreign taxes, a tax charge of CHF 6 million relating to non-deductible foreign exchange losses partially offset by a tax benefit of CHF 4 million relating to the net decrease of tax contingency accruals.

### Net deferred tax assets

| end of | 2Q14 | 1Q14 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 5,557 | 5,683 |
| of which net operating losses | 758 | 1,436 |
| of which deductible temporary differences | 4,799 | 4,247 |
| Deferred tax liabilities | (423) | (427) |
| **Net deferred tax assets** | **5,134** | **5,256** |

## 22 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, Contingent Capital Awards, Capital Opportunity Facility awards, Plus Bond awards, Partner Asset Facilities awards, Adjustable Performance Plan awards, Restricted Cash Awards, Scaled Incentive Share Units (SISUs), Incentive Share Units (ISUs) and other cash awards.

‣ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

The following tables show the expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 2Q14 and prior periods and the associated remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized deferred compensation expense was based on the fair value of each award on the date of grant and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 227 | 250 | 203 | 477 | 457 |
| Performance share awards | 156 | 172 | 126 | 328 | 330 |
| Contingent Capital Awards | 79 | 96 | – | 175 | – |
| Capital Opportunity Facility awards | 4 | 1 | – | 5 | – |
| Plus Bond awards [1] | 7 | 10 | 6 | 17 | 16 |
| 2011 Partner Asset Facility awards [2] | (1) | 11 | (23) | 10 | (30) |
| Adjustable Performance Plan share awards [3] | (3) | 1 | 16 | (2) | 21 |
| Adjustable Performance Plan cash awards [3] | (11) | (2) | 2 | (13) | (1) |
| Restricted Cash Awards | 24 | 23 | 37 | 47 | 91 |
| Scaled Incentive Share Units [3] | (3) | 0 | 17 | (3) | 24 |
| Incentive Share Units [4] | 0 | 0 | 0 | 0 | (2) |
| 2008 Partner Asset Facility awards [2] | 61 | 22 | 11 | 83 | 53 |
| Other cash awards | 98 | 128 | 120 | 226 | 237 |
| Discontinued operations | (6) | (3) | (5) | (9) | (6) |
| **Total deferred compensation expense** | **632** | **709** | **510** | **1,341** | **1,190** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.
[3] Includes forfeitures and downward adjustments according to the plan terms and conditions.
[4] Includes forfeitures.

## Additional information

| end of | 2Q14 |
|---|---|
| **Estimated unrecognized deferred compensation expense (CHF million)** | |
| Share awards | 1,195 |
| Performance share awards | 535 |
| Contingent Capital Awards | 276 |
| Capital Opportunity Facility awards | 6 |
| Plus Bond awards | 10 |
| Adjustable Performance Plan share awards | 4 |
| Adjustable Performance Plan cash awards | 5 |
| Restricted Cash Awards | 82 |
| Other cash awards | 220 |
| **Estimated unrecognized deferred compensation expense** | **2,333** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

### 2Q14 activity

In June 2014, the Group granted to certain employees 2.7 million in share awards with a fair value of CHF 66 million for the 2014 performance year. The share awards entitle the holder to receive one Group share for each award granted, subject to the award terms, and vest equally on each of the three years anniversaries of the grant date.

## Share-based award activity

| | 2Q14 | | | | | 6M14 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards |
| **Share-based award activities** | | | | | | | | | | |
| **Balance at beginning of period** | **103.6** | **65.7** | **15.3** | **4.7** | **1.0** | **72.9** | **41.4** | **14.5** | **4.7** | **1.2** |
| Granted | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 35.2 | 24.3 | 0.8 [1] | 0.0 | 0.0 |
| Settled | (27.0) | (15.9) | (7.6) | (4.5) | 0.0 | (28.0) | (15.9) | (7.6) | (4.5) | 0.0 |
| Forfeited | (1.4) | (0.4) | (0.2) | (0.1) | (0.3) | (1.7) | (0.4) | (0.2) | (0.1) | (0.5) |
| **Balance at end of period** | **78.4** | **49.4** | **7.5** | **0.1** | **0.7** | **78.4** | **49.4** | **7.5** | **0.1** | **0.7** |
| of which vested | 5.0 | 2.6 | 1.0 | 0.1 | 0.1 | 5.0 | 2.6 | 1.0 | 0.1 | 0.1 |
| of which unvested | 73.4 | 46.8 | 6.5 | 0.0 | 0.6 | 73.4 | 46.8 | 6.5 | 0.0 | 0.6 |

[1] Represents additional units earned in 1Q14 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## 23 Pension and other post-retirement benefits

The Group previously disclosed that it expected to contribute CHF 529 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2014. As of the end of 2Q14, CHF 259 million of contributions had been made.

### Components of total benefit costs

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Total benefit costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 69 | 69 | 94 | 138 | 188 |
| Interest costs on benefit obligation | 120 | 120 | 108 | 240 | 217 |
| Expected return on plan assets | (181) | (181) | (184) | (362) | (368) |
| Amortization of recognized prior service cost/(credit) | (22) | (22) | (23) | (44) | (46) |
| Amortization of recognized actuarial losses | 50 | 50 | 87 | 100 | 173 |
| **Net periodic benefit costs** | **36** | **36** | **82** | **72** | **164** |
| Settlement losses/(gains) | 0 | 0 | 1 | 0 | 1 |
| Curtailment losses/(gains) | (7) | (3) | (17) | (10) | (28) |
| Special termination benefits | 4 | 3 | 4 | 7 | 12 |
| **Total benefit costs** | **33** | **36** | **70** | **69** | **149** |

## 24 Derivatives and hedging activities

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 27 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| end of 2Q14 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 11,635.4 | 4.4 | 4.8 | 0.0 | 0.0 | 0.0 |
| Swaps | 27,381.7 | 340.7 | 333.5 | 55.6 | 2.7 | 0.9 |
| Options bought and sold (OTC) | 3,705.9 | 48.8 | 48.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,287.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 688.8 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **44,699.0** | **394.1** | **386.8** | **55.6** | **2.7** | **0.9** |
| Forwards | 1,992.9 | 12.3 | 12.7 | 25.3 | 0.2 | 0.1 |
| Swaps | 1,409.4 | 23.0 | 34.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 952.6 | 8.5 | 9.3 | 9.8 | 0.0 | 0.0 |
| Futures | 49.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 14.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,419.1** | **43.9** | **57.0** | **35.1** | **0.2** | **0.1** |
| Forwards | 4.3 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 263.4 | 5.1 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 242.1 | 10.4 | 10.0 | 0.0 | 0.0 | 0.0 |
| Futures | 56.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 430.3 | 14.5 | 15.9 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **997.0** | **30.7** | **33.9** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,356.4** | **25.7** | **26.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 20.2 | 0.6 | 0.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 48.1 | 2.7 | 2.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 34.0 | 0.9 | 0.8 | 0.0 | 0.0 | 0.0 |
| Futures | 30.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 51.8 | 0.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **184.8** | **4.8** | **3.9** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **51,656.3** | **499.2** | **507.9** | **90.7** | **2.9** | **1.0** |

The notional amount, PRV and NRV (trading and hedging) was CHF 51,747.0 billion, CHF 502.1 billion and CHF 508.9 billion, respectively, as of June 30, 2014.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Primarily credit default swaps.

3 Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 4Q13 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging[1] Notional amount | Hedging[1] Positive replacement value (PRV) | Hedging[1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,589.6 | 399.6 | 393.8 | 68.5 | 2.8 | 0.7 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,382.0** | **446.7** | **441.5** | **68.5** | **2.8** | **0.7** |
| Forwards | 2,098.0 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.1 | 28.9 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.0** | **61.3** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.3 | 12.2 | 12.0 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.2** | **35.3** | **37.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives**[2] | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.4 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.2 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products**[3] | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,327.3** | **575.5** | **583.9** | **108.4** | **3.1** | **0.8** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.7 billion, CHF 578.6 billion and CHF 584.7 billion, respectively, as of December 31, 2013.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 20 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | (26) | (290) | 249 | (316) | 337 |
| Foreign exchange products | 2 | 0 | (6) | 2 | (8) |
| **Total** | **(24)** | **(290)** | **243** | **(314)** | **329** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | 16 | 300 | (253) | 316 | (339) |
| Foreign exchange products | (2) | 0 | 6 | (2) | 8 |
| **Total** | **14** | **300** | **(247)** | **314** | **(331)** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | (10) | 10 | (4) | 0 | (2) |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | 13 | 14 | (25) | 27 | (20) |
| Foreign exchange products | 5 | 9 | 5 | 14 | 2 |
| **Total** | **18** | **23** | **(20)** | **41** | **(18)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products [1] | 5 | 4 | (1) | 9 | 0 |
| Foreign exchange products [2] | 0 | (1) | (1) | (1) | (2) |
| Total | **5** | **3** | **(2)** | **8** | **(2)** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [1] | (1) | 0 | 0 | (1) | 0 |

[1] Included in trading revenues.
[2] Included in other revenues.

As of the end of 2Q14, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months is CHF 15 million.

## Net investment hedges

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | (279) | 59 | 260 | (220) | (291) |
| **Total** | **(279)** | **59** | **260** | **(220)** | **(291)** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to “Note 8 – Trading revenues” for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group’s derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group’s current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| | | | | **2Q14** | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.9 | 0.9 | 0.2 | **13.0** | 11.7 | 1.1 | 0.1 | **12.9** |
| Collateral posted | 11.0 | 0.9 | – | **11.9** | 10.6 | 1.2 | – | **11.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.6 | 0.0 | **1.2** | 0.6 | 0.8 | 0.0 | **1.4** |
| Additional collateral required in a two-notch downgrade event | 2.0 | 0.8 | 0.1 | **2.9** | 2.3 | 1.1 | 0.0 | **3.4** |

### Credit derivatives

▸ Refer to “Note 31 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the “Fair value of derivative instruments” tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. TRS of CHF 9.9 billion and CHF 7.4 billion as of the end of 2Q14 and 4Q13, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

#### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

#### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

#### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

#### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

## Credit protection sold/purchased

| | 2Q14 | | | | | 4Q13 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | **Net credit protection (sold)/ purchased** | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (285.0) | 271.4 | (13.6) | 34.8 | 5.9 | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 |
| Non-investment grade | (102.2) | 98.5 | (3.7) | 14.8 | 3.2 | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 |
| **Total single-name instruments** | **(387.2)** | **369.9** | **(17.3)** | **49.6** | **9.1** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** |
| of which sovereign | (77.7) | 75.2 | (2.5) | 8.3 | 0.3 | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) |
| of which non-sovereign | (309.5) | 294.7 | (14.8) | 41.3 | 8.8 | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (182.6) | 178.4 | (4.2) | 42.8 | 2.9 | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 |
| Non-investment grade | (62.5) | 54.9 [3] | (7.6) | 11.3 | 0.8 | (65.0) | 59.0 [3] | (6.0) | 13.5 | 1.5 |
| **Total multi-name instruments** | **(245.1)** | **233.3** | **(11.8)** | **54.1** | **3.7** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** |
| of which sovereign | (6.0) | 11.4 | 5.4 | 1.1 | 0.2 | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 |
| of which non-sovereign | (239.1) | 221.9 | (17.2) | 53.0 | 3.5 | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (467.6) | 449.8 | (17.8) | 77.6 | 8.8 | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 |
| Non-investment grade | (164.7) | 153.4 | (11.3) | 26.1 | 4.0 | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 |
| **Total instruments** | **(632.3)** | **603.2** | **(29.1)** | **103.7** | **12.8** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** |
| of which sovereign | (83.7) | 86.6 | 2.9 | 9.4 | 0.5 | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) |
| of which non-sovereign | (548.6) | 516.6 | (32.0) | 94.3 | 12.3 | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

## Credit derivatives

| end of | **2Q14** | 4Q13 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 632.3 | 698.7 |
| Credit protection purchased | 603.2 | 663.9 |
| Other protection purchased | 103.7 | 109.0 |
| Other instruments [1] | 17.2 | 11.7 |
| **Total credit derivatives** | **1,356.4** | **1,483.3** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

## Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **2Q14 (CHF billion)** | | | | |
| Single-name instruments | 82.7 | 258.2 | 46.3 | 387.2 |
| Multi-name instruments | 31.5 | 153.6 | 60.0 | 245.1 |
| **Total instruments** | **114.2** | **411.8** | **106.3** | **632.3** |
| **4Q13 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |

## 25 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, securities lending indemnifications, derivatives and other guarantees.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a detailed description of guarantees.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **2Q14 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,692 | 1,469 | 4,161 | 3,969 | 11 | 2,214 |
| Performance guarantees and similar instruments | 5,026 | 2,429 | 7,455 | 6,603 | 63 | 3,073 |
| Securities lending indemnifications | 11,968 | 0 | 11,968 | 11,968 | 0 | 11,968 |
| Derivatives [2] | 21,973 | 9,010 | 30,983 | 30,983 | 664 | – [3] |
| Other guarantees | 3,303 | 1,241 | 4,544 | 4,533 | 39 | 2,460 |
| **Total guarantees** | **44,962** | **14,149** | **59,111** | **58,056** | **777** | **19,715** |
| **4Q13 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,688 | 1,526 | 4,214 | 4,066 | 14 | 2,333 |
| Performance guarantees and similar instruments | 4,910 | 3,136 | 8,046 | 7,125 | 107 | 3,312 |
| Securities lending indemnifications | 11,479 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 13,403 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 4,003 | 1,212 | 5,215 | 5,191 | 3 | 2,631 |
| **Total guarantees** | **41,327** | **19,277** | **60,604** | **59,511** | **839** | **19,755** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees. For the period July 1, 2014 to June 30, 2015, the Group's share in this deposit insurance guarantee program based on FINMA's estimate will be unchanged at CHF 0.6 billion.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to June 30, 2014 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 2Q14, 1Q14 and 2Q13, including realized losses from the repurchase of residential mortgage loans sold.

### Residential mortgage loans sold

| January 1, 2004 to June 30, 2014 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 24.0 |
| Non-agency securitizations | 134.5 [2] |
| **Total residential mortgage loans sold** | **166.7** |

[1] Primarily banks.
[2] Of the total residential mortgage loans sold to non-agency securitizations USD 25.3 billion were outstanding as of the end of 2Q14. The difference of the total balance of mortgage loans sold and the outstanding balance as of the end of 2Q14 is attributable to borrower payments of USD 90.1 billion and losses of USD 19.1 billion due to loan defaults.

### Residential mortgage loans sold – outstanding repurchase claims

| | 2Q14 | | | | 1Q14 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **69** | **418** | **83** | **570** | **77** | **420** | **83** | **580** |
| New claims | 3 | 0 | 314 | 317 | 6 | 1 | 6 | 13 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other settlements | (1) | (415) | 0 | (416) [2] | (3) | (1) | (5) | (9) [2] |
| Total claims settled | (1) | (415) | 0 | (416) | (3) | (1) | (5) | (9) |
| Claims rescinded | (4) | 0 | 0 | (4) | (11) | 0 | 0 | (11) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (314) | (314) | 0 | (2) | (1) | (3) |
| **Balance at end of period** | **67** | **3** | **83** | **153** | **69** | **418** | **83** | **570** |

| | 2Q13 | | | |
|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | |
| **Balance at beginning of period** | **67** | **482** | **1,398** | **1,947** |
| New claims | 24 | 93 | 149 | 266 |
| Claims settled through repurchases | (1) | 0 | (2) | (3) [1] |
| Other settlements | (5) | (155) | (4) | (164) [2] |
| Total claims settled | (6) | (155) | (6) | (167) |
| Claims rescinded | (4) | 0 | 0 | (4) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (347) | (347) |
| **Balance at end of period** | **81** | **420** | **1,194** | **1,695** |

[1] Settled at a repurchase price of USD 3 million.
[2] Settled at USD 59 million, USD 7 million and USD 20 million in 2Q14, 1Q14 and 2Q13, respectively.
[3] Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.

## Residential mortgage loans sold – outstanding repurchase claims (continued)

| | | | | 6M14 | | | | 6M13 |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |
| New claims | 9 | 1 | 320 | 330 | 36 | 115 | 489 | 640 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 | (4) | 0 | (2) | (6) [1] |
| Other settlements | (4) | (416) | (5) | (425) [2] | (8) | (155) | (7) | (170) [2] |
| Total claims settled | (4) | (416) | (5) | (425) | (12) | (155) | (9) | (176) |
| Claims rescinded | (15) | 0 | 0 | (15) | (10) | (4) | 0 | (14) |
| Transfers to/from arbitration and litigation, net [3] | 0 | (2) | (315) | (317) | 0 | 0 | (681) | (681) |
| **Balance at end of period** | **67** | **3** | **83** | **153** | **81** | **420** | **1,194** | **1,695** |

1 Settled at a repurchase price of USD 6 million.
2 Settled at USD 66 million and USD 25 million in 6M14 and 6M13, respectively.
3 Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.

## Provisions for outstanding repurchase claims

| | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Provisions for outstanding repurchase claims (USD million) [1]** | | | | | |
| **Balance at beginning of period** | **136** | **146** | **59** | **146** | **55** |
| Increase/(decrease) in provisions, net | (17) | (3) | 62 | (20) | 74 |
| Realized losses [2] | (59) [3] | (7) [4] | (23) | (66) [3] | (31) |
| **Balance at end of period** | **60** [5] | **136** [6] | **98** [5] | **60** [5] | **98** [5] |

1 Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 29 – Litigation" for further information.
2 Includes indemnifications paid to resolve loan repurchase claims.
3 Primarily related to private investors.
4 Primarily related to non-agency securitizations.
5 Primarily related to government-sponsored enterprises.
6 Primarily related to government-sponsored enterprises and private investors.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

▸ Refer to "Note 29 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these commitments.

### Other commitments

| | | | | | 2Q14 | | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 4,616 | 28 | 4,644 | 4,487 | 2,725 | 5,484 | 28 | 5,512 | 5,452 | 3,381 |
| Irrevocable loan commitments [2] | 38,081 | 70,604 | 108,685 | 104,802 | 52,452 | 27,250 | 69,740 | 96,990 | 92,732 | 47,996 |
| Forward reverse repurchase agreements | 28,969 | 0 | 28,969 | 28,969 | 28,969 | 26,893 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 3,971 | 1,305 | 5,276 | 5,276 | 2,679 | 2,481 | 1,410 | 3,891 | 3,891 | 350 |
| **Total other commitments** | **75,637** | **71,937** | **147,574** | **143,534** | **86,825** | **62,108** | **71,178** | **133,286** | **128,968** | **78,620** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 95,482 million and CHF 90,254 million of unused credit limits as of the end of 2Q14 and 4Q13, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 26 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 6M14 and 6M13 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | **6M14** | 6M13 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 3 | 1 |
| Proceeds from transfer of assets | 1,581 | 3,631 |
| Cash received on interests that continue to be held | 53 | 32 |
| **RMBS** | | |
| Net gain [1] | 14 | 2 |
| Proceeds from transfer of assets | 10,842 | 14,257 |
| Purchases of previously transferred financial assets or its underlying collateral | (4) | (8) |
| Servicing fees | 1 | 2 |
| Cash received on interests that continue to be held | 206 | 275 |
| **Other asset-backed financings** | | |
| Net gain [1] | 15 | 7 |
| Proceeds from transfer of assets | 964 | 553 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | (65) |
| Cash received on interests that continue to be held | 4 | 329 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2Q14 and 4Q13, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | **2Q14** | 4Q13 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 36,855 | 37,308 |
| Total assets of SPE | 47,837 | 48,715 |
| **RMBS** | | |
| Principal amount outstanding | 45,774 | 45,571 |
| Total assets of SPE | 47,591 | 48,741 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 23,632 | 27,854 |
| Total assets of SPE | 23,632 | 27,854 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 27 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | 6M14 | | 6M13 | |
|---|---|---|---|---|
| at time of transfer, in | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 566 | 1,865 | 158 | 1,963 |
| of which level 2 | 501 | 1,720 | 141 | 1,922 |
| of which level 3 | 65 | 145 | 17 | 41 |
| Weighted-average life, in years | 3.6 | 4.6 | 8.9 | 7.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 1.5–23.0 | – [2] | 6.3–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.0–11.0 | 2.0–17.0 | 1.6–8.2 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 1.0–2.0 | 2.6–14.0 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

## Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2Q14 and 4Q13.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | 2Q14 | | | 4Q13 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,297 | 2,761 | 204 | 1,132 | 2,354 | 284 |
| of which non-investment grade | 8 | 350 | 157 | 26 | 359 | 204 |
| Weighted-average life, in years | 5.4 | 8.5 | 4.7 | 6.5 | 8.6 | 3.7 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.3–35.0 | – | – | 1.0–23.5 | – |
| Impact on fair value from 10% adverse change | – | (31.0) | – | – | (26.6) | – |
| Impact on fair value from 20% adverse change | – | (61.0) | – | – | (48.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.4–24.4 | 1.8–39.6 | 0.2–21.2 | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 |
| Impact on fair value from 10% adverse change | (20.7) | (57.3) | (2.8) | (25.5) | (65.0) | (2.4) |
| Impact on fair value from 20% adverse change | (40.6) | (111.5) | (5.5) | (50.0) | (124.9) | (4.9) |
| Expected credit losses (rate per annum), in % | 0.9–23.6 | 1.3–38.4 | 1.1–9.7 | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 |
| Impact on fair value from 10% adverse change | (9.8) | (34.3) | (0.9) | (10.9) | (42.2) | (0.4) |
| Impact on fair value from 20% adverse change | (19.6) | (67.3) | (1.7) | (21.5) | (79.6) | (0.7) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2Q14 and 4Q13.

▸ Refer to “Note 28 – Assets pledged and collateral” for further information.

#### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 2Q14 | 4Q13 |
|---|---|---|
| CHF million | | |
| **CMBS** | | |
| Other assets | 244 | 432 |
| Liability to SPE, included in Other liabilities | (244) | (432) |
| **Other asset-backed financings** | | |
| Trading assets | 165 | 216 |
| Other assets | 162 | 157 |
| Liability to SPE, included in Other liabilities | (327) | (373) |

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation.

▸ Refer to “Variable interest entities” in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine’s entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit’s outstanding CP was approximately 53 days and 19 days as of 2Q14 and 4Q13, respectively. As of 2Q14 and 4Q13, Alpine had the highest short-term ratings from Moody’s and Dominion Bond Rating Service and was rated A-1 by Standard & Poor’s and F-1 by Fitch. The majority of Alpine’s purchased assets were highly rated loans or receivables in the consumer sector, including residential, commercial and time-share mortgages, auto and equipment loans or leases, advance financing receivables and student loans. As of 2Q14 and 4Q13, those assets had an average rating of AA, based on the lowest of each asset’s external or internal rating, and an average maturity of 2.4 years and 2.1 years as of 2Q14 and 4Q13, respectively.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 2Q14 and 4Q13.

### Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **2Q14 (CHF million)** | | | | | | | |
| Cash and due from banks | 619 | 0 | 50 | 113 | 100 | 34 | 916 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,224 | 0 | 0 | 0 | 0 | 1,224 |
| Trading assets | 768 | 51 | 0 | 1,507 | 731 | 382 | 3,439 |
| Investment securities | 0 | 59 | 0 | 0 | 0 | 0 | 59 |
| Other investments | 0 | 0 | 0 | 46 | 1,489 | 393 | 1,928 |
| Net loans | 0 | 579 | 876 | 0 | 18 | 535 | 2,008 |
| Premises and equipment | 0 | 0 | 0 | 0 | 423 | 72 | 495 |
| Other assets | 6,881 | 1,639 | 3,424 | 3 | 228 | 1,640 | 13,815 |
| of which loans held-for-sale | 6,843 | 0 | 2,245 | 0 | 54 | 0 | 9,142 |
| **Total assets of consolidated VIEs** | **8,268** | **3,552** | **4,350** | **1,669** | **2,989** | **3,056** | **23,884** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 269 | 269 |
| Trading liabilities | 6 | 0 | 0 | 0 | 7 | 3 | 16 |
| Short-term borrowings | 0 | 8,733 | 0 | 0 | 0 | 0 | 8,733 |
| Long-term debt | 8,260 | 21 | 2,796 | 327 | 87 | 366 | 11,857 |
| Other liabilities | 24 | 40 | 196 | 19 | 154 | 426 | 859 |
| **Total liabilities of consolidated VIEs** | **8,290** | **8,794** | **2,992** | **346** | **248** | **1,064** | **21,734** |
| **4Q13 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 447 | 66 | 513 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 308 | 1,680 | 14,330 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,777** | **3,164** | **27,654** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 153 | 438 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **254** | **1,227** | **18,346** |

**Non-consolidated VIEs**

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for further information on non-consolidated VIEs.

**Non-consolidated VIEs**

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2Q14 (CHF million)** | | | | | | |
| Trading assets | 141 | 5,071 | 1,322 | 575 | 613 | 7,722 |
| Net loans | 174 | 717 | 2,858 | 1,682 | 1,128 | 6,559 |
| Other assets | 0 | 4 | 30 | 0 | 187 | 221 |
| **Total variable interest assets** | **315** | **5,792** | **4,210** | **2,257** | **1,928** | **14,502** |
| **Maximum exposure to loss** | **1,417** | **9,674** | **4,373** | **6,284** | **2,017** | **23,765** |
| **Non-consolidated VIE assets** | **9,140** | **96,746** | **64,524** | **27,684** | **18,483** | **216,577** |
| **4Q13 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,812 | 2,856 | 1,282 | 7,565 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,838** | **3,581** | **2,001** | **15,138** |
| **Maximum exposure to loss** | **186** | **7,496** | **4,026** | **7,433** | **2,090** | **21,231** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **19,450** | **217,838** |

## 27 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's concentrations of credit risk.

## FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as CVA) is considered when measuring the fair value of assets and the impact of changes in the Group's own credit spreads (known as DVA) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 724 | 0 | 0 | 724 |
| Interest-bearing deposits with banks | 0 | 309 | 0 | 0 | 309 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 86,517 | 69 | 0 | 86,586 |
| Debt | 177 | 698 | 0 | 0 | 875 |
| of which corporates | 0 | 655 | 0 | 0 | 655 |
| Equity | 20,704 | 32 | 0 | 0 | 20,736 |
| Securities received as collateral | 20,881 | 730 | 0 | 0 | 21,611 |
| Debt | 39,520 | 60,918 | 4,600 | 0 | 105,038 |
| of which foreign governments | 38,953 | 5,224 | 305 | 0 | 44,482 |
| of which corporates | 69 | 24,480 | 1,774 | 0 | 26,323 |
| of which RMBS | 0 | 23,794 | 548 | 0 | 24,342 |
| of which CMBS | 0 | 5,122 | 334 | 0 | 5,456 |
| of which CDO | 0 | 2,232 | 1,369 | 0 | 3,601 |
| Equity | 81,385 | 6,100 | 674 | 0 | 88,159 |
| Derivatives | 8,808 | 485,198 | 5,125 | (468,174) | 30,957 |
| of which interest rate products | 2,165 | 390,254 | 1,713 | – | – |
| of which foreign exchange products | 210 | 43,251 | 390 | – | – |
| of which equity/index-related products | 6,138 | 23,641 | 932 | – | – |
| of which credit derivatives | 0 | 24,587 | 1,097 | – | – |
| Other | 2,972 | 5,219 | 3,082 | 0 | 11,273 |
| Trading assets | 132,685 | 557,435 | 13,481 | (468,174) | 235,427 |
| Debt | 2,203 | 1,014 | 0 | 0 | 3,217 |
| of which foreign governments | 1,810 | 0 | 0 | 0 | 1,810 |
| of which corporates | 0 | 587 | 0 | 0 | 587 |
| of which CDO | 0 | 423 | 0 | 0 | 423 |
| Equity | 2 | 101 | 3 | 0 | 106 |
| Investment securities | 2,205 | 1,115 | 3 | 0 | 3,323 |
| Private equity | 0 | 0 | 1,251 | 0 | 1,251 |
| of which equity funds | 0 | 0 | 579 | 0 | 579 |
| Hedge funds | 0 | 159 | 323 | 0 | 482 |
| of which debt funds | 0 | 119 | 312 | 0 | 431 |
| Other equity investments | 84 | 110 | 1,720 | 0 | 1,914 |
| of which private | 0 | 82 | 1,720 | 0 | 1,802 |
| Life finance instruments | 0 | 0 | 1,605 | 0 | 1,605 |
| Other investments | 84 | 269 | 4,899 | 0 | 5,252 |
| Loans | 0 | 11,299 | 8,598 | 0 | 19,897 |
| of which commercial and industrial loans | 0 | 5,521 | 5,699 | 0 | 11,220 |
| of which financial institutions | 0 | 4,842 | 1,572 | 0 | 6,414 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 66 | 0 | 66 |
| Other assets | 4,102 | 22,076 | 5,923 | (828) | 31,273 |
| of which loans held-for-sale | 0 | 13,300 | 5,242 | 0 | 18,542 |
| **Total assets at fair value** | **159,957** | **680,474** | **33,039** | **(469,002)** | **404,468** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (80) | (132) | (752) | 0 | (964) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (7,862) | (2,079) | 0 | (9,941) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **159,877** | **672,480** | **30,208** | **(469,002)** | **393,563** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 998 | 0 | 0 | 998 |
| Customer deposits | 0 | 3,142 | 87 | 0 | 3,229 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 60,529 | 0 | 0 | 60,529 |
| Debt | 177 | 698 | 0 | 0 | 875 |
| of which corporates | 0 | 655 | 0 | 0 | 655 |
| Equity | 20,704 | 32 | 0 | 0 | 20,736 |
| Obligation to return securities received as collateral | 20,881 | 730 | 0 | 0 | 21,611 |
| Debt | 17,778 | 4,744 | 0 | 0 | 22,522 |
| of which foreign governments | 17,616 | 407 | 0 | 0 | 18,023 |
| of which corporates | 9 | 3,893 | 0 | 0 | 3,902 |
| Equity | 17,758 | 310 | 19 | 0 | 18,087 |
| Derivatives | 8,959 | 494,139 | 4,896 | (473,474) | 34,520 |
| of which interest rate products | 2,207 | 383,422 | 1,185 | – | – |
| of which foreign exchange products | 232 | 56,116 | 696 | – | – |
| of which equity/index-related products | 6,201 | 26,397 | 1,265 | – | – |
| of which credit derivatives | 0 | 25,055 | 1,291 | – | – |
| Trading liabilities | 44,495 | 499,193 | 4,915 | (473,474) | 75,129 |
| Short-term borrowings | 0 | 7,031 | 101 | 0 | 7,132 |
| Long-term debt | 3 | 59,901 | 10,313 | 0 | 70,217 |
| of which treasury debt over two years | 0 | 8,134 | 0 | 0 | 8,134 |
| of which structured notes over two years | 0 | 26,120 | 7,374 | 0 | 33,494 |
| of which non-recourse liabilities | 3 | 8,898 | 2,028 | 0 | 10,929 |
| Other liabilities | 0 | 17,460 | 3,325 | (776) | 20,009 |
| of which failed sales | 0 | 479 | 727 | 0 | 1,206 |
| **Total liabilities at fair value** | **65,379** | **648,984** | **18,741** | **(474,250)** | **258,854** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,218 | 5,069 | 0 | 110,116 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,268 | 2,128 | 0 | 26,410 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,322 | 5,778 | 595 | 0 | 76,695 |
| Derivatives | 6,610 | 563,649 | 5,217 | (543,873) | 31,603 |
| of which interest rate products | 1,065 | 444,056 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,807 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,763 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,691 | 4,479 | 2,829 | 0 | 10,999 |
| Trading assets | 122,452 | 637,124 | 13,710 | (543,873) | 229,413 |
| Debt | 1,788 | 1,098 | 0 | 0 | 2,886 |
| of which foreign governments | 1,386 | 2 | 0 | 0 | 1,388 |
| of which corporates | 0 | 606 | 0 | 0 | 606 |
| of which CDO | 0 | 490 | 0 | 0 | 490 |
| Equity | 2 | 97 | 2 | 0 | 101 |
| Investment securities | 1,790 | 1,195 | 2 | 0 | 2,987 |
| Private equity | 0 | 0 | 3,345 | 0 | 3,345 |
| of which equity funds | 0 | 0 | 2,236 | 0 | 2,236 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,630 | 0 | 1,645 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,969 | 0 | 7,596 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,530 | 6,159 | (1,032) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **150,484** | **770,575** | **35,084** | **(544,905)** | **411,238** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **150,238** | **761,430** | **29,845** | **(544,905)** | **396,608** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,450 | 0 | 0 | 1,450 |
| Customer deposits | 0 | 3,197 | 55 | 0 | 3,252 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,311 | 2 | 0 | 24,350 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,130 | 2 | 0 | 4,133 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,444 | 5,545 | (547,385) | 36,483 |
| of which interest rate products | 896 | 439,446 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,547 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,622 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,064 | 5,564 | (547,385) | 76,635 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 53,589 | 9,780 | 0 | 63,369 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,679 | 6,217 | 0 | 26,896 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,511 | 2,861 | (399) | 21,973 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **739,391** | **18,539** | **(547,784)** | **271,636** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 6M14, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in exchange traded derivatives as they moved closer to maturity and pricing inputs became more observable. Transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity as suitable closing prices were unobtainable as of the end of 6M14.

### Transfers between level 1 and level 2

| | 6M14 | | 6M13 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 400 | 11 | 471 | 85 |
| Equity | 409 | 78 | 422 | 171 |
| Derivatives | 4,693 | 1 | 4,093 | 1 |
| **Trading assets** | **5,502** | **90** | **4,986** | **257** |
| **Liabilities (CHF million)** | | | | |
| Debt | 312 | 0 | 6 | 17 |
| Equity | 129 | 81 | 250 | 17 |
| Derivatives | 4,746 | 19 | 3,536 | 9 |
| **Trading liabilities** | **5,187** | **100** | **3,792** | **43** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 6M14 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (135) | 0 |
| Debt | 5,069 | 518 | (1,261) | 3,644 |
| of which corporates | 2,128 | 135 | (487) | 837 |
| of which RMBS | 436 | 309 | (252) | 430 |
| of which CMBS | 417 | 44 | (181) | 172 |
| of which CDO | 1,567 | 17 | (130) | 1,950 |
| Equity | 595 | 117 | (231) | 303 |
| Derivatives | 5,217 | 368 | (266) | 0 |
| of which interest rate products | 1,574 | 31 | (12) | 0 |
| of which equity/index-related products | 1,240 | 24 | (123) | 0 |
| of which credit derivatives | 1,138 | 251 | (124) | 0 |
| Other | 2,829 | 279 | (449) | 1,372 |
| Trading assets | 13,710 | 1,282 | (2,207) | 5,319 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,369 | 0 | (14) | 479 |
| Life finance instruments | 1,600 | 0 | 0 | 100 |
| Other investments | 6,969 | 0 | (14) | 579 |
| Loans | 7,998 | 109 | (366) | 172 |
| of which commercial and industrial loans | 5,309 | 107 | (276) | 161 |
| of which financial institutions | 1,322 | 2 | (17) | 11 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 26 |
| Other assets | 6,159 | 1,428 | (1,561) | 2,407 |
| of which loans held-for-sale [2] | 5,615 | 1,427 | (1,544) | 2,159 |
| **Total assets at fair value** | **35,084** | **2,819** | **(4,283)** | **8,503** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (114) | 0 |
| Trading liabilities | 5,564 | 519 | (754) | 22 |
| of which interest rate derivatives | 1,129 | 36 | (6) | 0 |
| of which foreign exchange derivatives | 938 | 0 | (2) | 0 |
| of which equity/index-related derivatives | 1,896 | 190 | (589) | 0 |
| of which credit derivatives | 1,230 | 266 | (152) | 0 |
| Short-term borrowings | 165 | 13 | (35) | 0 |
| Long-term debt | 9,780 | 605 | (1,840) | 0 |
| of which structured notes over two years | 6,217 | 220 | (971) | 0 |
| of which non-recourse liabilities | 2,552 | 378 | (583) | 0 |
| Other liabilities | 2,861 | 79 | (93) | 262 |
| of which failed sales | 1,143 | 65 | (42) | 78 |
| **Total liabilities at fair value** | **18,539** | **1,216** | **(2,836)** | **284** |
| **Net assets/(liabilities) at fair value** | **16,545** | **1,603** | **(1,447)** | **8,219** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized gains recorded in trading revenues of CHF 20 million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 69 |
| (3,747) | 0 | 0 | (44) | 410 | 0 | 0 | 11 | 4,600 |
| (1,062) | 0 | 0 | (59) | 272 | 0 | 0 | 10 | 1,774 |
| (439) | 0 | 0 | 12 | 55 | 0 | 0 | (3) | 548 |
| (102) | 0 | 0 | 1 | (15) | 0 | 0 | (2) | 334 |
| (2,097) | 0 | 0 | (1) | 68 | 0 | 0 | (5) | 1,369 |
| (266) | 0 | 0 | 42 | 118 | 0 | 0 | (4) | 674 |
| 0 | 1,542 | (2,134) | 19 | 384 | 0 | 0 | (5) | 5,125 |
| 0 | 92 | (361) | 5 | 381 | 0 | 0 | 3 | 1,713 |
| 0 | 192 | (257) | 14 | (157) | 0 | 0 | (1) | 932 |
| 0 | 314 | (504) | (3) | 28 | 0 | 0 | (3) | 1,097 |
| (1,085) | 0 | (122) | 6 | 259 | 0 | 0 | (7) | 3,082 |
| (5,098) | 1,542 | (2,256) | 23 | 1,171 | 0 | 0 | (5) | 13,481 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| (3,027) | 0 | 0 | 0 | 33 | 0 | 441 | 13 | 3,294 |
| (154) | 0 | 0 | 0 | 65 | 0 | 0 | (6) | 1,605 |
| (3,181) | 0 | 0 | 0 | 98 | 0 | 441 | 7 | 4,899 |
| (912) | 2,516 | (896) | 1 | 4 | 0 | 2 | (30) | 8,598 |
| (628) | 1,799 | (758) | 1 | 5 | 0 | 0 | (21) | 5,699 |
| (81) | 429 | (98) | 0 | 3 | 0 | 4 | (3) | 1,572 |
| 0 | 0 | 0 | 0 | 0 | 0 | (2) | 0 | 66 |
| (2,181) | 347 | (827) | 19 | 127 | 0 | (1) | 6 | 5,923 |
| (2,118) | 346 | (828) | 25 | 152 | 0 | (1) | 9 | 5,242 |
| **(11,372)** | **4,405** | **(3,979)** | **43** | **1,400** | **0** | **440** | **(21)** | **33,039** |
| | | | | | | | | |
| 0 | 25 | 0 | 0 | 2 | 0 | 0 | 5 | 87 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (18) | 838 | (1,766) | 214 | 307 | 0 | 0 | (11) | 4,915 |
| 0 | 42 | (234) | 4 | 216 | 0 | 0 | (2) | 1,185 |
| 0 | 3 | (144) | (4) | (94) | 0 | 0 | (1) | 696 |
| 0 | 402 | (691) | 209 | (147) | 0 | 0 | (5) | 1,265 |
| 0 | 206 | (542) | 7 | 279 | 0 | 0 | (3) | 1,291 |
| 0 | 249 | (294) | (1) | 2 | 0 | 0 | 2 | 101 |
| 0 | 3,386 | (1,885) | 11 | 300 | 0 | 0 | (44) | 10,313 |
| 0 | 2,493 | (778) | 8 | 217 | 0 | 0 | (32) | 7,374 |
| 0 | 330 | (673) | 16 | 14 | 0 | 0 | (6) | 2,028 |
| (630) | 633 | (170) | 14 | 94 | 4 | 269 | 2 | 3,325 |
| (560) | 0 | 0 | 0 | 47 | 0 | (2) | (2) | 727 |
| **(648)** | **5,131** | **(4,115)** | **238** | **705** | **4** | **269** | **(46)** | **18,741** |
| **(10,724)** | **(726)** | **136** | **(195)** | **695** | **(4)** | **171** | **25** | **14,298** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 6M13 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Debt | 5,888 | 465 | (979) | 3,291 |
| of which corporates | 3,192 | 146 | (483) | 1,009 |
| of which RMBS | 724 | 257 | (292) | 758 |
| of which CMBS | 1,023 | 26 | (100) | 129 |
| of which CDO | 447 | 14 | (39) | 1,384 |
| Equity | 485 | 190 | (173) | 139 |
| Derivatives | 6,650 | 916 | (897) | 0 |
| of which interest rate products | 1,859 | 42 | (198) | 0 |
| of which equity/index-related products | 1,920 | 149 | (258) | 0 |
| of which credit derivatives | 1,294 | 721 | (262) | 0 |
| Other | 2,486 | 165 | (224) | 2,727 |
| Trading assets | 15,509 | 1,736 | (2,273) | 6,157 |
| Investment securities | 170 | 0 | 0 | 166 |
| Equity | 6,366 | 0 | (40) | 745 |
| Life finance instruments | 1,818 | 0 | 0 | 100 |
| Other investments | 8,184 | 0 | (40) | 845 |
| Loans | 6,619 | 93 | (1,644) | 368 |
| of which commercial and industrial loans | 4,778 | 81 | (322) | 368 |
| of which financial institutions | 1,530 | 11 | (2) | 1 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 0 |
| Other assets | 5,164 | 1,551 | (1,556) | 2,673 |
| of which loans held-for-sale | 4,463 | 1,540 | (1,554) | 2,494 |
| **Total assets at fair value** | **35,689** | **3,380** | **(5,513)** | **10,209** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,024 | (814) | 53 |
| of which interest rate derivatives | 1,357 | 59 | (132) | 0 |
| of which foreign exchange derivatives | 1,648 | 15 | (14) | 0 |
| of which equity/index-related derivatives | 1,003 | 111 | (302) | 0 |
| of which credit derivatives | 819 | 808 | (267) | 0 |
| Short-term borrowings | 124 | 46 | (34) | 0 |
| Long-term debt | 10,098 | 1,728 | (1,209) | 0 |
| of which structured notes over two years | 6,189 | 321 | (893) | 0 |
| of which non-recourse liabilities | 2,551 | 1,369 | (196) | 0 |
| Other liabilities | 2,848 | 31 | (131) | 62 |
| of which failed sales | 1,160 | 12 | (77) | 45 |
| **Total liabilities at fair value** | **18,451** | **2,829** | **(2,188)** | **115** |
| **Net assets/(liabilities) at fair value** | **17,238** | **551** | **(3,325)** | **10,094** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| (4,604) | 0 | 0 | 130 | 150 | 0 | 0 | 170 | 4,511 |
| (2,020) | 0 | 0 | 113 | 9 | 0 | 0 | 91 | 2,057 |
| (638) | 0 | 0 | 6 | 64 | 0 | 0 | 27 | 906 |
| (821) | 0 | 0 | (3) | 33 | 0 | 0 | 19 | 306 |
| (1,008) | 0 | 0 | 2 | 45 | 0 | 0 | 20 | 865 |
| (236) | 0 | 0 | 6 | (2) | 0 | 0 | 14 | 423 |
| 0 | 721 | (1,004) | 96 | (97) | 0 | 0 | 194 | 6,579 |
| 0 | 164 | (198) | 2 | (161) | 0 | 0 | 50 | 1,560 |
| 0 | 116 | (225) | 62 | 250 | 0 | 0 | 62 | 2,076 |
| 0 | 111 | (302) | 33 | (9) | 0 | 0 | 41 | 1,627 |
| (2,133) | 0 | (65) | 1 | (46) | 0 | 0 | 89 | 3,000 |
| (6,973) | 721 | (1,069) | 233 | 5 | 0 | 0 | 467 | 14,513 |
| (17) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 319 |
| (1,329) | 0 | 0 | 0 | (2) | 0 | 276 | 196 | 6,212 |
| (186) | 0 | 0 | 0 | (80) | 0 | 0 | 61 | 1,713 |
| (1,515) | 0 | 0 | 0 | (82) | 0 | 276 | 257 | 7,925 |
| (834) | 3,593 | (1,193) | (1) | (81) | 0 | 0 | 229 | 7,149 |
| (595) | 1,346 | (780) | 0 | (126) | 0 | 0 | 149 | 4,899 |
| (119) | 240 | (363) | 0 | (49) | 0 | 0 | 49 | 1,298 |
| 0 | 0 | 0 | 0 | 0 | 0 | (6) | 2 | 39 |
| (1,707) | 700 | (501) | 16 | 133 | 0 | 0 | 158 | 6,631 |
| (1,538) | 700 | (501) | 15 | 92 | 0 | 0 | 131 | 5,842 |
| **(11,046)** | **5,014** | **(2,763)** | **248** | **(25)** | **0** | **270** | **1,113** | **36,576** |
| | | | | | | | | |
| 0 | 53 | 0 | 0 | (13) | 0 | 0 | (3) | 62 |
| (155) | 489 | (1,125) | 124 | 252 | 0 | 0 | 165 | 5,369 |
| 0 | 82 | (43) | 3 | (269) | 0 | 0 | 38 | 1,095 |
| 0 | 13 | (472) | (1) | 73 | 0 | 0 | 50 | 1,312 |
| 0 | 275 | (308) | 90 | 341 | 0 | 0 | 34 | 1,244 |
| 0 | 71 | (226) | 40 | 89 | 0 | 0 | 27 | 1,361 |
| 0 | 203 | (86) | (4) | (61) | 0 | 0 | 5 | 193 |
| 0 | 2,818 | (2,787) | 16 | (51) | 0 | 0 | 347 | 10,960 |
| 0 | 1,966 | (1,160) | 12 | (352) | 0 | 0 | 223 | 6,306 |
| 0 | 438 | (1,274) | 10 | 114 | 0 | 0 | 76 | 3,088 |
| (280) | 1 | (58) | (16) | (18) | 26 | 135 | 77 | 2,677 |
| (230) | 0 | 0 | (4) | (8) | 0 | 0 | 38 | 936 |
| **(435)** | **3,564** | **(4,056)** | **120** | **109** | **26** | **135** | **591** | **19,261** |
| **(10,611)** | **1,450** | **1,293** | **128** | **(134)** | **(26)** | **135** | **522** | **17,315** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| | | | 6M14 | | | 6M13 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 500 | 167 | **667** [1] | (6) | 109 | **103** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (528) | 74 | **(454)** | (1,079) | 103 | **(976)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 6M14 were CHF 2,819 million, primarily from loans held-for-sale and trading assets. The transfers were primarily in the corporate credit and alternative investment businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 6M14 were CHF 4,283 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, alternative investment, emerging markets and prime services businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 2Q14 were CHF 1,188 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit business due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2Q14 were CHF 1,928 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, alternative investment and emerging markets businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever

possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. Significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

## Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, discount rate and capitalization rate.

## Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralized OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread, mean reversion and gap risk.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability.

Generally, the interrelationship between the volatility and correlation is positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are

valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation, funding spread and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

### Other investments

#### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published net asset values (NAVs). Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spread, contingent probability and EBITDA multiple. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

#### Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, price, volatility, volatility skew, recovery rate, funding spread and contingent probability, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value. An increase in the significant unobservable inputs basis spread, mean reversion and skew would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 2Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 69 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,600 | | | | | |
| of which corporates | 1,774 | | | | | |
| of which | 122 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Buyback probability, in % [2] | 50 | 100 | 59 |
| of which | 427 | Market comparable | Price, in % | 0 | 135 | 89 |
| of which | 1,125 | Discounted cash flow | Credit spread, in bp | 9 | 1,445 | 383 |
| of which RMBS | 548 | Discounted cash flow | Discount rate, in % | 1 | 32 | 9 |
| | | | Prepayment rate, in % | 0 | 35 | 8 |
| | | | Default rate, in % | 0 | 27 | 3 |
| | | | Loss severity, in % | 0 | 100 | 42 |
| of which CMBS | 334 | Discounted cash flow | Capitalization rate, in % | 7 | 12 | 8 |
| | | | Discount rate, in % | 1 | 26 | 8 |
| | | | Prepayment rate, in % | 0 | 28 | 14 |
| | | | Default rate, in % | 0 | 14 | 0 |
| | | | Loss severity, in % | 0 | 50 | 2 |
| of which CDO | 1,369 | | | | | |
| of which | 110 | Vendor price | Price, in % | 50 | 100 | 95 |
| of which | 338 | Discounted cash flow | Discount rate, in % | 2 | 18 | 8 |
| | | | Prepayment rate, in % | 0 | 30 | 10 |
| | | | Default rate, in % | 0 | 7 | 2 |
| | | | Loss severity, in % | 0 | 100 | 31 |
| of which | 785 | Market comparable | Price, in % | 89 | 197 | 186 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 674 | | | | | |
| of which | 421 | Market comparable | EBITDA multiple | 3 | 12 | 9 |
| | | | Price, in % | 1 | 179 | 48 |
| of which | 25 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,125 | | | | | |
| of which interest rate products | 1,713 | Option model | Correlation, in % | 15 | 100 | 80 |
| | | | Prepayment rate, in % | 5 | 36 | 28 |
| | | | Volatility skew, in % | (8) | 2 | (1) |
| | | | Credit spread, in bp | 60 | 531 | 137 |
| of which equity/index-related products | 932 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 0 | 170 | 20 |
| of which credit derivatives | 1,097 | Discounted cash flow | Credit spread, in bp | 1 | 1,928 | 117 |
| | | | Recovery rate, in % | 0 | 77 | 26 |
| | | | Discount rate, in % | 1 | 34 | 15 |
| | | | Default rate, in % | 1 | 22 | 7 |
| | | | Loss severity, in % | 10 | 90 | 57 |
| | | | Correlation, in % | 32 | 97 | 70 |
| | | | Prepayment rate, in % | 0 | 31 | 5 |
| Other | 3,082 | | | | | |
| of which | 2,398 | Market comparable | Price, in % | 0 | 108 | 45 |
| of which | 646 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 13,481 | | | | | |
| Investment securities | 3 | – | – | – | – | – |
| Private equity | 1,251 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 323 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,720 | | | | | |
| of which private | 1,720 | | | | | |
| of which | 350 | Discounted cash flow | Contingent probability, in % | 69 | 69 | 69 |
| of which | 944 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Life finance instruments | 1,605 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 8 |
| Other investments | 4,899 | | | | | |
| Loans | 8,598 | | | | | |
| of which commercial and industrial loans | 5,699 | | | | | |
| of which | 4,798 | Discounted cash flow | Credit spread, in bp | 11 | 2,692 | 366 |
| of which | 637 | Market comparable | Price, in % | 0 | 118 | 92 |
| of which financial institutions | 1,572 | Discounted cash flow | Credit spread, in bp | 93 | 813 | 318 |
| Other intangible assets (mortgage servicing rights) | 66 | – | – | – | – | – |
| Other assets | 5,923 | | | | | |
| of which loans held-for-sale | 5,242 | | | | | |
| of which | 1,707 | Vendor price | Price, in % | 0 | 104 | 99 |
| of which | 820 | Discounted cash flow | Credit spread, in bp | 75 | 623 | 270 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,424 | Market comparable | Price, in % | 0 | 103 | 68 |
| **Total level 3 assets at fair value** | **33,039** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| CHF million, except where indicated | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
| --- | --- | --- | --- | --- | --- | --- |
| **CHF million, except where indicated** | | | | | | |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,345 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,630 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,969 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,084** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 2Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 87 | – | – | – | – | – |
| Trading liabilities | 4,915 | | | | | |
| of which interest rate derivatives | 1,185 | Option model | Basis spread, in bp | (10) | 98 | 56 |
| | | | Correlation, in % | 17 | 100 | 70 |
| | | | Mean reversion, in % [2] | 5 | 10 | 5 |
| | | | Prepayment rate, in % | 8 | 36 | 27 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| of which foreign exchange derivatives | 696 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 23 | 36 | 29 |
| of which equity/index-related derivatives | 1,265 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Skew, in % | 49 | 159 | 106 |
| | | | Volatility, in % | 3 | 170 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,291 | Discounted cash flow | Credit spread, in bp | 1 | 1,831 | 133 |
| | | | Discount rate, in % | 1 | 35 | 15 |
| | | | Default rate, in % | 1 | 21 | 7 |
| | | | Recovery rate, in % | 0 | 77 | 38 |
| | | | Loss severity, in % | 10 | 90 | 61 |
| | | | Correlation, in % | 32 | 98 | 53 |
| | | | Funding spread, in bp | 51 | 51 | 51 |
| | | | Prepayment rate, in % | 0 | 11 | 4 |
| Short-term borrowings | 101 | – | – | – | – | – |
| Long-term debt | 10,313 | | | | | |
| of which structured notes over two years | 7,374 | | | | | |
| of which | 5,910 | Option model | Correlation, in % | (83) | 100 | 13 |
| | | | Volatility, in % | 3 | 170 | 25 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 4 | 0 |
| of which | 452 | Discounted cash flow | Credit spread, in bp | 305 | 673 | 372 |
| of which non-recourse liabilities | 2,028 | | | | | |
| of which | 1,831 | Vendor price | Price, in % | 0 | 104 | 99 |
| of which | 143 | Market comparable | Price, in % | 0 | 87 | 8 |
| Other liabilities | 3,325 | | | | | |
| of which failed sales | 727 | | | | | |
| of which | 661 | Market comparable | Price, in % | 0 | 100 | 68 |
| of which | 50 | Discounted cash flow | Credit spread, in bp | 535 | 2,692 | 2,037 |
| | | | Recovery rate, in % | 26 | 26 | 26 |
| **Total level 3 liabilities at fair value** | **18,741** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Management's best estimate of the speed at which interest rates will revert to the long-term average.
3 Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
4 Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.

### Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,861 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,539** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

#### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to ten years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

## Fair value, unfunded commitments and term of redemption conditions

| | 2Q14 | | | | 4Q13 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 6 | 105 | 111 | 0 | 1 | 18 | 19 | 0 |
| Equity funds | 31 | 2,087 [1] | 2,118 | 0 | 28 | 3,096 [2] | 3,124 | 0 |
| Equity funds sold short | 0 | (13) | (13) | 0 | 0 | (17) | (17) | 0 |
| Total funds held in trading assets and liabilities | 37 | 2,179 | 2,216 | 0 | 29 | 3,097 | 3,126 | 0 |
| Debt funds | 312 | 119 | 431 | 1 | 320 | 183 | 503 | 6 |
| Equity funds | 0 | 0 | 0 | 0 | 0 | 25 | 25 | 0 |
| Others | 0 | 51 | 51 | 0 | 0 | 153 | 153 | 31 |
| Hedge funds | 312 | 170 [3] | 482 | 1 | 320 | 361 [4] | 681 | 37 |
| Debt funds | 19 | 0 | 19 | 14 | 53 | 0 | 53 | 2 |
| Equity funds | 579 | 0 | 579 | 118 | 2,236 | 0 | 2,236 | 464 |
| Real estate funds | 264 | 0 | 264 | 87 | 350 | 0 | 350 | 110 |
| Others | 389 | 0 | 389 | 123 | 706 | 0 | 706 | 250 |
| Private equities | 1,251 | 0 | 1,251 | 342 | 3,345 | 0 | 3,345 | 826 |
| Equity method investments | 373 | 38 | 411 | 0 | 349 | 0 | 349 | 0 |
| Total funds held in other investments | 1,936 | 208 | 2,144 | 343 | 4,014 | 361 | 4,375 | 863 |
| **Total fair value** | **1,973** [5] | **2,387** [6] | **4,360** | **343** [7] | **4,043** [5] | **3,458** [6] | **7,501** | **863** [7] |

[1] 35% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 29% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 26% is redeemable on an annual basis with a notice period primarily of more than 60 days, and 11% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 84% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 14% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 641 million and CHF 1,819 million attributable to noncontrolling interests in 2Q14 and 4Q13, respectively.
[6] Includes CHF 116 million and CHF 107 million attributable to noncontrolling interests in 2Q14 and 4Q13, respectively.
[7] Includes CHF 175 million and CHF 405 million attributable to noncontrolling interests in 2Q14 and 4Q13, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

### Nonrecurring fair value changes

| end of | 2Q14 | 4Q13 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.3** |
| of which level 3 | 0.2 | 0.3 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's election of the fair value option for certain of its financial statement captions.

## Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| | | | **2Q14** | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,039 | 3,211 | (2,172) | 956 | 3,262 | (2,306) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 309 | 306 | 3 | 311 | 307 | 4 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 86,586 | 86,304 | 282 | 96,587 | 96,217 | 370 |
| Loans | 19,897 | 20,010 | (113) | 19,457 | 19,653 | (196) |
| Other assets [1] | 21,539 | 27,671 | (6,132) | 20,749 | 25,756 | (5,007) |
| Due to banks and customer deposits | (713) | (689) | (24) | (690) | (680) | (10) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (60,529) | (60,458) | (71) | (76,104) | (76,012) | (92) |
| Short-term borrowings | (7,132) | (7,075) | (57) | (6,053) | (5,896) | (157) |
| Long-term debt | (70,217) | (69,361) | (856) | (63,369) | (62,991) | (378) |
| Other liabilities | (1,205) | (2,631) | 1,426 | (1,780) | (3,285) | 1,505 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| | **6M14** | 6M13 |
|---|---|---|
| in | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 0 [1] | 4 [1] |
| of which related to credit risk | (1) | (2) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 472 [1] | 532 [1] |
| Other investments | 202 [3] | (34) [2] |
| of which related to credit risk | 3 | 0 |
| Loans | 531 [1] | 224 [1] |
| of which related to credit risk | 70 | (107) |
| Other assets | 952 [1] | 1,128 [1] |
| of which related to credit risk | 351 | 300 |
| Due to banks and customer deposits | (26) [2] | 13 [2] |
| of which related to credit risk | (8) | (1) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (38) [1] | 40 [2] |
| Short-term borrowings | (46) [2] | 6 [2] |
| Long-term debt | (2,162) [2] | 800 [2] |
| of which related to credit risk [4] | (47) | 10 |
| Other liabilities | 45 [3] | 239 [2] |
| of which related to credit risk | (39) | 51 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (121) million and zero in 6M14, respectively, and CHF (20) million and CHF 38 million in 6M13, respectively.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **2Q14 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,158 | 0 | 78,610 | 548 | 79,158 |
| Loans | 231,016 | 0 | 234,112 | 2,508 | 236,620 |
| Other financial assets [1] | 145,936 | 68,039 | 76,670 | 1,619 | 146,328 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 368,769 | 212,058 | 156,614 | 10 | 368,682 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 27,538 | 0 | 27,538 | 0 | 27,538 |
| Short-term borrowings | 22,294 | 0 | 22,298 | 0 | 22,298 |
| Long-term debt | 73,610 | 0 | 71,560 | 4,018 | 75,578 |
| Other financial liabilities [2] | 92,096 | 0 | 91,559 | 617 | 92,176 |
| **4Q13 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,435 | 0 | 62,891 | 544 | 63,435 |
| Loans | 223,902 | 0 | 225,641 | 3,940 | 229,581 |
| Other financial assets [1] | 142,656 | 72,134 | 69,310 | 1,568 | 143,012 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 351,476 | 212,418 | 138,980 | 9 | 351,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 66,673 | 0 | 64,043 | 3,774 | 67,817 |
| Other financial liabilities [2] | 96,611 | 1,129 | 94,414 | 1,085 | 96,628 |

1 Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
2 Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 28 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | **2Q14** | 4Q13 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 146,633 | 142,952 |
| of which encumbered | 93,046 | 92,300 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

**Collateral**

| end of | 2Q14 | 4Q13 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 385,554 | 359,517 |
| of which sold or repledged | 288,640 | 267,896 |

## 29 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 38 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 38 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 1.0 billion.

In 2Q14, the Group recorded net litigation provisions of CHF 1,807 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Research-related litigation**

This case was brought against Credit Suisse Securities (USA) LLC (CSS LLC) on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. On January 13, 2012, the US District Court for the District of Massachusetts granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. The plaintiffs appealed the summary judgment decision. On May 14, 2014, the circuit court affirmed the grant of summary judgment. The plaintiffs subsequently moved for rehearing and rehearing en banc.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

Individual investor actions

On May 20, 2014, Commerzbank AG London Branch filed a complaint against CSS LLC and certain of its affiliates and other financial institutions in the Supreme Court for the State of New York, New York County (SCNY), in which claims against CSS LLC and its affiliates relate to approximately USD 121 million of the RMBS at issue (approximately 6% of the USD 1.9 billion at issue against all defendants in the operative pleading), reducing the RMBS at issue for CSS LLC and its affiliates as stated in the summons filed on December 26, 2013 by approximately USD 27 million. On May 21, 2014, following a settlement, the Illinois state court presiding in the action brought by the Federal Home Loan Bank of Chicago dismissed with prejudice all claims against CSS LLC in the last remaining action filed by the Federal Home Loan Bank of Chicago against CSS LLC, relating to approximately USD 38 million of RMBS at issue against CSS LLC. On June 3, 2014, the SCNY dismissed with prejudice certain claims in the action against CSS LLC and its affiliates brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 138 million to approximately USD 111 million. On July 3, 2014, following a settlement, the Indiana state court presiding in the action brought by the Federal Home Loan Bank of Indianapolis dismissed with prejudice all claims against CSS LLC, relating to approximately USD 224 million of RMBS at issue against CSS LLC.

Monoline insurer disputes

On July 14, 2014, the SCNY ruled from the bench following oral argument and granted CSS LLC's motion to dismiss all claims in the action filed by CIFG Assurance North America, Inc. (CIFG) without prejudice relating to financial guaranty insurance issued by CIFG on a credit default swap guaranteeing payment on approximately USD 396 million of notes of a collateralized debt obligation.

**Tax and securities law matters**

Since 2011, Credit Suisse had been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), the US Securities and Exchange Commission (SEC) and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities were investigating possible violations of US tax and securities laws. In particular, the DOJ was investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC investigated whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and two former employees have pleaded guilty (in one case, as to conduct while employed at other financial institutions that did not involve Credit Suisse and in the other case as to conduct while employed at a former Credit Suisse subsidiary prior to 2006 and other financial institutions after 2006). Credit Suisse received a grand jury target letter from the DOJ in July 2011. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions.

On February 21, 2014, Credit Suisse AG reached a settlement with the SEC that resolved the SEC's investigation regarding registration as an investment advisor and broker-dealer. In a settled administrative and cease-and-desist proceeding, the SEC charged Credit Suisse AG with violating Section 15(a) of the US Securities Exchange Act of 1934 (Exchange Act) and Section 203(a) of the US Investment Advisers Act of 1940 (Advisers Act). Specifically, the SEC's Order found that from at least 2002 through its exit from the US cross-border securities business which Credit Suisse AG began in 2008, Credit Suisse AG, through actions of certain of its relationship managers, violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to US clients at a time when Credit Suisse AG was not registered with the SEC as a broker-dealer or investment advisor. As part of the settlement of the investigation, Credit Suisse AG agreed, among other things, to cease-and-desist from committing or causing any future violations of Section 15(a) of the Exchange

Act or Section 203(a) of the Advisers Act and to pay approximately USD 196 million, inclusive of disgorgement of approximately USD 82 million, prejudgment interest of approximately USD 64 million, and a civil money penalty in the amount of USD 50 million. Credit Suisse AG also agreed to the appointment of an independent consultant who will review its cross-border compliance policies with respect to the US securities laws and will verify that Credit Suisse AG has exited the US cross-border business.

On May 19, 2014, Credit Suisse AG entered into a settlement regarding all outstanding US cross-border matters, including agreements with the DOJ, the New York State Department of Financial Services (DFS) and the Board of Governors of the US Federal Reserve System (Fed). As part of the settlement, Credit Suisse AG entered a guilty plea to one count of conspiracy to assist US customers in presenting false income tax returns to the US Internal Revenue Service (IRS) in violation of Title 18, US Code section 371, in connection with the former Swiss-based cross border Private Banking business. In total, Credit Suisse AG agreed to pay USD 2,815 million comprised of the following components: (a) USD 2,000 million for the DOJ, including USD 666.5 million in restitution to the IRS and USD 1,333.5 million as a fine (including USD 196 million for the SEC as described in the preceding paragraph); (b) USD 715 million for the DFS; and (c) USD 100 million for the Fed. In prior quarters, Credit Suisse had taken litigation provisions totaling CHF 892 million related to this matter. As a result, the pre-tax impact of the final settlement in the second quarter 2014 was CHF 1,618 million and the after-tax impact was CHF 1,598 million. The amount due to the DOJ, including the part thereof allocated to the IRS, is expected to be paid following the sentencing hearing for Credit Suisse AG. The penalties due to the SEC, Fed and DFS were paid in May 2014. In addition to such payments, Credit Suisse AG agreed, among other things, to engage an independent corporate monitor reporting to the DFS (a separate position from the independent consultant agreed to in the settlement with the SEC), provide ongoing reports to various agencies and terminate the employment of certain individuals at Credit Suisse AG associated with the improper conduct.

**Net new assets-related matters**

On February 26, 2014, the United States Senate Permanent Subcommittee on Investigations issued a report that included a discussion of Credit Suisse's determinations about and disclosures of net new assets and, as previously disclosed, Credit Suisse is conducting a review of this topic. The SEC is also conducting an investigation. The disclosure of net new assets is required by banks operating in Switzerland pursuant to Guidelines on Accounting Standards issued by the FINMA.

**Alternative trading systems**

Credit Suisse is responding to inquiries from various governmental and regulatory authorities concerning the operation of its alternative trading systems, and is cooperating with those requests. Credit Suisse Group AG is also among more than thirty defendants named in putative class action complaints filed in the US District Court for the Southern District of New York since April 2014, alleging violations of US securities laws related to high-frequency trading.

## 30 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In 4Q13, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and Fed regulation on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

## Condensed consolidating statements of operations

| in 2Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,462 | 4,102 | 5,564 | 40 | 86 | 5,690 |
| Interest expense | (899) | (2,170) | (3,069) | (57) | 22 | (3,104) |
| Net interest income | 563 | 1,932 | 2,495 | (17) | 108 | 2,586 |
| Commissions and fees | 1,061 | 2,234 | 3,295 | 3 | 11 | 3,309 |
| Trading revenues | 225 | (144) | 81 | 47 | 69 | 197 |
| Other revenues | 242 | 167 | 409 | (742) [2] | 704 | 371 |
| **Net revenues** | **2,091** | **4,189** | **6,280** | **(709)** | **892** | **6,463** |
| **Provision for credit losses** | **0** | **4** | **4** | **0** | **14** | **18** |
| Compensation and benefits | 924 | 2,069 | 2,993 | 16 | (36) | 2,973 |
| General and administrative expenses | 503 | 2,953 | 3,456 | (25) | 10 | 3,441 |
| Commission expenses | 61 | 313 | 374 | 0 | 3 | 377 |
| Total other operating expenses | 564 | 3,266 | 3,830 | (25) | 13 | 3,818 |
| **Total operating expenses** | **1,488** | **5,335** | **6,823** | **(9)** | **(23)** | **6,791** |
| **Income/(loss) from continuing operations before taxes** | **603** | **(1,150)** | **(547)** | **(700)** | **901** | **(346)** |
| Income tax expense | 210 | 68 | 278 | 0 | 29 | 307 |
| **Income/(loss) from continuing operations** | **393** | **(1,218)** | **(825)** | **(700)** | **872** | **(653)** |
| Income/(loss) from discontinued operations, net of tax | 0 | (9) | (9) | 0 | 0 | (9) |
| **Net income/(loss)** | **393** | **(1,227)** | **(834)** | **(700)** | **872** | **(662)** |
| Net income attributable to noncontrolling interests | 25 | 4 | 29 | 0 | 9 | 38 |
| **Net income/(loss) attributable to shareholders** | **368** | **(1,231)** | **(863)** | **(700)** | **863** | **(700)** |
| of which from continuing operations | 368 | (1,222) | (854) | (700) | 863 | (691) |
| of which from discontinued operations | 0 | (9) | (9) | 0 | 0 | (9) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 393 | (1,227) | (834) | (700) | 872 | (662) |
| Gains/(losses) on cash flow hedges | 0 | 6 | 6 | 5 | 1 | 12 |
| Foreign currency translation | 84 | (18) | 66 | 1 | (2) | 65 |
| Unrealized gains/(losses) on securities | 0 | 10 | 10 | 0 | 2 | 12 |
| Actuarial gains/(losses) | 6 | 5 | 11 | 0 | 31 | 42 |
| Net prior service credit/(cost) | 0 | (1) | (1) | 0 | (21) | (22) |
| Other comprehensive income/(loss), net of tax | 90 | 2 | 92 | 6 | 11 | 109 |
| **Comprehensive income/(loss)** | **483** | **(1,225)** | **(742)** | **(694)** | **883** | **(553)** |
| Comprehensive income attributable to noncontrolling interests | 29 | 4 | 33 | 0 | 8 | 41 |
| **Comprehensive income/(loss) attributable to shareholders** | **454** | **(1,229)** | **(775)** | **(694)** | **875** | **(594)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,728 | 4,355 | 6,083 | 13 | 124 | 6,220 |
| Interest expense | (1,078) | (2,484) | (3,562) | (11) | (7) | (3,580) |
| Net interest income | 650 | 1,871 | 2,521 | 2 | 117 | 2,640 |
| Commissions and fees | 1,043 | 2,448 | 3,491 | 1 | 46 | 3,538 |
| Trading revenues | (450) | 806 | 356 | 0 | 1 | 357 |
| Other revenues | 290 | 129 | 419 | 1,039 [2] | (1,041) | 417 |
| **Net revenues** | **1,533** | **5,254** | **6,787** | **1,042** | **(877)** | **6,952** |
| **Provision for credit losses** | **2** | **33** | **35** | **0** | **16** | **51** |
| Compensation and benefits | 863 | 1,975 | 2,838 | 18 | 70 | 2,926 |
| General and administrative expenses | 515 | 1,381 | 1,896 | (34) | 11 | 1,873 |
| Commission expenses | 57 | 397 | 454 | 0 | 3 | 457 |
| Total other operating expenses | 572 | 1,778 | 2,350 | (34) | 14 | 2,330 |
| **Total operating expenses** | **1,435** | **3,753** | **5,188** | **(16)** | **84** | **5,256** |
| **Income/(loss) from continuing operations before taxes** | **96** | **1,468** | **1,564** | **1,058** | **(977)** | **1,645** |
| Income tax expense/(benefit) | (15) | 467 | 452 | 13 | 7 | 472 |
| **Income/(loss) from continuing operations** | **111** | **1,001** | **1,112** | **1,045** | **(984)** | **1,173** |
| Income/(loss) from discontinued operations, net of tax | (4) | (5) | (9) | 0 | 0 | (9) |
| **Net income/(loss)** | **107** | **996** | **1,103** | **1,045** | **(984)** | **1,164** |
| Net income/(loss) attributable to noncontrolling interests | 98 | 222 | 320 | 0 | (201) | 119 |
| **Net income/(loss) attributable to shareholders** | **9** | **774** | **783** | **1,045** | **(783)** | **1,045** |
| of which from continuing operations | 13 | 779 | 792 | 1,045 | (783) | 1,054 |
| of which from discontinued operations | (4) | (5) | (9) | 0 | 0 | (9) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 2Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 107 | 996 | 1,103 | 1,045 | (984) | 1,164 |
| Gains/(losses) on cash flow hedges | 0 | (21) | (21) | 6 | 0 | (15) |
| Foreign currency translation | (15) | (151) | (166) | 0 | 0 | (166) |
| Unrealized gains/(losses) on securities | 0 | (6) | (6) | 0 | (8) | (14) |
| Actuarial gains/(losses) | 10 | 4 | 14 | 0 | 67 | 81 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (31) | (31) |
| Other comprehensive income/(loss), net of tax | (5) | (174) | (179) | 6 | 28 | (145) |
| **Comprehensive income/(loss)** | **102** | **822** | **924** | **1,051** | **(956)** | **1,019** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 94 | 201 | 295 | 0 | (185) | 110 |
| **Comprehensive income/(loss) attributable to shareholders** | **8** | **621** | **629** | **1,051** | **(771)** | **909** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 2,947 | 6,933 | 9,880 | 78 | 177 | 10,135 |
| Interest expense | (1,773) | (3,528) | (5,301) | (109) | 39 | (5,371) |
| Net interest income | 1,174 | 3,405 | 4,579 | (31) | 216 | 4,764 |
| Commissions and fees | 2,115 | 4,408 | 6,523 | 2 | 59 | 6,584 |
| Trading revenues | 729 | 22 | 751 | 36 | 48 | 835 |
| Other revenues | 956 | 222 | 1,178 | 134 [2] | (203) | 1,109 |
| **Net revenues** | **4,974** | **8,057** | **13,031** | **141** | **120** | **13,292** |
| **Provision for credit losses** | **0** | **23** | **23** | **0** | **29** | **52** |
| Compensation and benefits | 1,849 | 4,148 | 5,997 | 34 | (65) | 5,966 |
| General and administrative expenses | 971 | 4,191 | 5,162 | (52) | 21 | 5,131 |
| Commission expenses | 117 | 623 | 740 | 0 | 6 | 746 |
| Total other operating expenses | 1,088 | 4,814 | 5,902 | (52) | 27 | 5,877 |
| **Total operating expenses** | **2,937** | **8,962** | **11,899** | **(18)** | **(38)** | **11,843** |
| **Income/(loss) from continuing operations before taxes** | **2,037** | **(928)** | **1,109** | **159** | **129** | **1,397** |
| Income tax expense | 688 | 114 | 802 | 0 | 48 | 850 |
| **Income/(loss) from continuing operations** | **1,349** | **(1,042)** | **307** | **159** | **81** | **547** |
| Income from discontinued operations, net of tax | 0 | 6 | 6 | 0 | 0 | 6 |
| **Net income/(loss)** | **1,349** | **(1,036)** | **313** | **159** | **81** | **553** |
| Net income/(loss) attributable to noncontrolling interests | 373 | (189) | 184 | 0 | 210 | 394 |
| **Net income/(loss) attributable to shareholders** | **976** | **(847)** | **129** | **159** | **(129)** | **159** |
| of which from continuing operations | 976 | (853) | 123 | 159 | (129) | 153 |
| of which from discontinued operations | 0 | 6 | 6 | 0 | 0 | 6 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 1,349 | (1,036) | 313 | 159 | 81 | 553 |
| Gains/(losses) on cash flow hedges | 0 | 15 | 15 | 13 | 1 | 29 |
| Foreign currency translation | (81) | (130) | (211) | 1 | 2 | (208) |
| Unrealized gains/(losses) on securities | 0 | 15 | 15 | 0 | 5 | 20 |
| Actuarial gains/(losses) | 8 | 11 | 19 | 0 | 58 | 77 |
| Net prior service credit/(cost) | 0 | (1) | (1) | 0 | (41) | (42) |
| Other comprehensive income/(loss), net of tax | (73) | (90) | (163) | 14 | 25 | (124) |
| **Comprehensive income/(loss)** | **1,276** | **(1,126)** | **150** | **173** | **106** | **429** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 352 | (192) | 160 | 0 | 212 | 372 |
| **Comprehensive income/(loss) attributable to shareholders** | **924** | **(934)** | **(10)** | **173** | **(106)** | **57** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 6M13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 3,472 | 7,299 | 10,771 | 27 | 244 | 11,042 |
| Interest expense | (2,061) | (4,434) | (6,495) | (23) | (78) | (6,596) |
| Net interest income | 1,411 | 2,865 | 4,276 | 4 | 166 | 4,446 |
| Commissions and fees | 1,960 | 4,727 | 6,687 | 3 | 96 | 6,786 |
| Trading revenues | (441) | 2,605 | 2,164 | 0 | 8 | 2,172 |
| Other revenues | 508 | 152 | 660 | 2,314 [2] | (2,337) | 637 |
| **Net revenues** | **3,438** | **10,349** | **13,787** | **2,321** | **(2,067)** | **14,041** |
| **Provision for credit losses** | **2** | **35** | **37** | **0** | **36** | **73** |
| Compensation and benefits | 1,774 | 4,069 | 5,843 | 32 | 42 | 5,917 |
| General and administrative expenses | 1,038 | 2,606 | 3,644 | (74) | 35 | 3,605 |
| Commission expenses | 119 | 802 | 921 | – | 6 | 927 |
| Total other operating expenses | 1,157 | 3,408 | 4,565 | (74) | 41 | 4,532 |
| **Total operating expenses** | **2,931** | **7,477** | **10,408** | **(42)** | **83** | **10,449** |
| **Income/(loss) from continuing operations before taxes** | **505** | **2,837** | **3,342** | **2,363** | **(2,186)** | **3,519** |
| Income tax expense | 80 | 845 | 925 | 15 | 31 | 971 |
| **Income/(loss) from continuing operations** | **425** | **1,992** | **2,417** | **2,348** | **(2,217)** | **2,548** |
| Income/(loss) from discontinued operations, net of tax | 6 | (9) | (3) | 0 | 0 | (3) |
| **Net income/(loss)** | **431** | **1,983** | **2,414** | **2,348** | **(2,217)** | **2,545** |
| Net income/(loss) attributable to noncontrolling interests | 167 | 368 | 535 | 0 | (338) | 197 |
| **Net income/(loss) attributable to shareholders** | **264** | **1,615** | **1,879** | **2,348** | **(1,879)** | **2,348** |
| of which from continuing operations | 258 | 1,624 | 1,882 | 2,348 | (1,879) | 2,351 |
| of which from discontinued operations | 6 | (9) | (3) | 0 | 0 | (3) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

| in 6M13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 431 | 1,983 | 2,414 | 2,348 | (2,217) | 2,545 |
| Gains/(losses) on cash flow hedges | 0 | (17) | (17) | 4 | 0 | (13) |
| Foreign currency translation | 745 | 23 | 768 | 0 | (7) | 761 |
| Unrealized gains/(losses) on securities | 1 | (11) | (10) | 0 | (11) | (21) |
| Actuarial gains/(losses) | 20 | 8 | 28 | 0 | 123 | 151 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (58) | (58) |
| Other comprehensive income/(loss), net of tax | 766 | 3 | 769 | 4 | 47 | 820 |
| **Comprehensive income/(loss)** | **1,197** | **1,986** | **3,183** | **2,352** | **(2,170)** | **3,365** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 285 | 480 | 765 | 0 | (450) | 315 |
| **Comprehensive income/(loss) attributable to shareholders** | **912** | **1,506** | **2,418** | **2,352** | **(1,720)** | **3,050** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 2Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,819 | 61,064 | 65,883 | 1,065 | (479) | 66,469 |
| Interest-bearing deposits with banks | 7,732 | (3,824) | 3,908 | 0 | (2,159) | 1,749 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 144,167 | 21,574 | 165,741 | 0 | 3 | 165,744 |
| Securities received as collateral | 21,814 | (203) | 21,611 | 0 | 0 | 21,611 |
| Trading assets | 72,652 | 162,984 | 235,636 | 0 | (209) | 235,427 |
| Investment securities | 3 | 2,025 | 2,028 | 3,818 | (2,523) | 3,323 |
| Other investments | 3,012 | 4,553 | 7,565 | 43,145 | (43,001) | 7,709 |
| Net loans | 11,460 | 226,575 | 238,035 | 709 | 15,788 | 254,532 |
| Premises and equipment | 812 | 3,802 | 4,614 | 0 | 197 | 4,811 |
| Goodwill | 656 | 6,449 | 7,105 | 0 | 878 | 7,983 |
| Other intangible assets | 102 | 143 | 245 | 0 | 0 | 245 |
| Brokerage receivables | 30,808 | 25,500 | 56,308 | 0 | 1 | 56,309 |
| Other assets | 19,687 | 43,311 | 62,998 | 266 | 1,425 | 64,689 |
| Assets of discontinued operations held-for-sale | 0 | 979 | 979 | 0 | 0 | 979 |
| **Total assets** | **317,724** | **554,932** | **872,656** | **49,003** | **(30,079)** | **891,580** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 1,029 | 25,875 | 26,904 | 2,807 | (3,010) | 26,701 |
| Customer deposits | 1 | 334,943 | 334,944 | 0 | 11,352 | 346,296 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 105,753 | (17,687) | 88,066 | 0 | 0 | 88,066 |
| Obligation to return securities received as collateral | 21,814 | (203) | 21,611 | 0 | 0 | 21,611 |
| Trading liabilities | 16,680 | 58,445 | 75,125 | 0 | 4 | 75,129 |
| Short-term borrowings | 51,997 | (22,571) | 29,426 | 0 | 0 | 29,426 |
| Long-term debt | 32,639 | 105,668 | 138,307 | 5,112 | 408 | 143,827 |
| Brokerage payables | 55,583 | 13,259 | 68,842 | 0 | 0 | 68,842 |
| Other liabilities | 11,843 | 36,637 | 48,480 | 140 | 293 | 48,913 |
| Liabilities of discontinued operations held-for-sale | 0 | 742 | 742 | 0 | 0 | 742 |
| **Total liabilities** | **297,339** | **535,108** | **832,447** | **8,059** | **9,047** | **849,553** |
| **Total shareholders' equity** | **19,191** | **20,008** | **39,199** | **40,944** | **(39,199)** | **40,944** |
| Noncontrolling interests | 1,194 | (184) | 1,010 | 0 | 73 | 1,083 |
| **Total equity** | **20,385** | **19,824** | **40,209** | **40,944** | **(39,126)** | **42,027** |
| **Total liabilities and equity** | **317,724** | **554,932** | **872,656** | **49,003** | **(30,079)** | **891,580** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| Interest-bearing deposits with banks | 81 | 3,304 | 3,385 | 0 | (1,870) | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,153 | 32,860 | 160,013 | 0 | 9 | 160,022 |
| Securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading assets | 73,580 | 156,156 | 229,736 | 0 | (323) | 229,413 |
| Investment securities | 2 | 1,625 | 1,627 | 1,481 | (121) | 2,987 |
| Other investments | 5,116 | 5,091 | 10,207 | 42,570 | (42,448) | 10,329 |
| Net loans | 19,955 | 211,202 | 231,157 | 3,185 | 12,712 | 247,054 |
| Premises and equipment | 891 | 4,004 | 4,895 | 0 | 196 | 5,091 |
| Goodwill | 658 | 6,463 | 7,121 | 0 | 878 | 7,999 |
| Other intangible assets | 78 | 132 | 210 | 0 | 0 | 210 |
| Brokerage receivables | 25,667 | 26,377 | 52,044 | 0 | 1 | 52,045 |
| Other assets | 18,104 | 43,452 | 61,556 | 243 | 1,266 | 63,065 |
| Assets of discontinued operations held-for-sale | 11 | 1,573 | 1,584 | 0 | 0 | 1,584 |
| **Total assets** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 251 | 22,896 | 23,147 | 3,242 | (3,281) | 23,108 |
| Customer deposits | 1 | 321,850 | 321,851 | 0 | 11,238 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 98,600 | (4,568) | 94,032 | 0 | 0 | 94,032 |
| Obligation to return securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading liabilities | 14,304 | 62,508 | 76,812 | 0 | (177) | 76,635 |
| Short-term borrowings | 42,842 | (22,649) | 20,193 | 0 | 0 | 20,193 |
| Long-term debt | 31,300 | 95,341 | 126,641 | 2,784 | 617 | 130,042 |
| Brokerage payables | 55,749 | 17,405 | 73,154 | 0 | 0 | 73,154 |
| Other liabilities | 11,284 | 39,795 | 51,079 | 84 | 284 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 19 | 1,121 | 1,140 | 0 | 0 | 1,140 |
| **Total liabilities** | **277,829** | **533,020** | **810,849** | **6,110** | **8,681** | **825,640** |
| **Total shareholders' equity** | **18,583** | **21,409** | **39,992** | **42,164** | **(39,992)** | **42,164** |
| Noncontrolling interests | 3,150 | 421 | 3,571 | 0 | 1,431 | 5,002 |
| **Total equity** | **21,733** | **21,830** | **43,563** | **42,164** | **(38,561)** | **47,166** |
| **Total liabilities and equity** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 6M14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(1,908)** | **(15,916)** | **(17,824)** | **250** [2] | **(44)** | **(17,618)** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (7,688) | 7,156 | (532) | 0 | 289 | (243) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (17,533) | 11,771 | (5,762) | 0 | 6 | (5,756) |
| Purchase of investment securities | 0 | (459) | (459) | (2,217) | 2,217 | (459) |
| Proceeds from sale of investment securities | 0 | 48 | 48 | 0 | 0 | 48 |
| Maturities of investment securities | 0 | 10 | 10 | 0 | 82 | 92 |
| Investments in subsidiaries and other investments | (300) | (151) | (451) | (1,352) | 1,320 | (483) |
| Proceeds from sale of other investments | 780 | 43 | 823 | 3 | 24 | 850 |
| (Increase)/decrease in loans | 8,466 | (16,894) | (8,428) | 2,476 | (3,105) | (9,057) |
| Proceeds from sales of loans | 0 | 943 | 943 | 0 | 0 | 943 |
| Capital expenditures for premises and equipment and other intangible assets | (122) | (285) | (407) | 0 | (4) | (411) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other, net | 7 | 142 | 149 | 0 | 1 | 150 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(16,390)** | **2,324** | **(14,066)** | **(1,090)** | **830** | **(14,326)** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 783 | 15,914 | 16,697 | (433) | 380 | 16,644 |
| Increase/(decrease) in short-term borrowings | 9,346 | (251) | 9,095 | 0 | 0 | 9,095 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 7,526 | (13,185) | (5,659) | 0 | 0 | (5,659) |
| Issuances of long-term debt | 2,896 | 29,134 | 32,030 | 2,217 | (2,224) | 32,023 |
| Repayments of long-term debt | (1,440) | (20,246) | (21,686) | 0 | 2,070 | (19,616) |
| Issuances of common shares | 0 | 0 | 0 | 297 | 0 | 297 |
| Sale of treasury shares | 0 | 0 | 0 | 0 | 4,033 | 4,033 |
| Repurchase of treasury shares | 0 | 0 | 0 | (705) | (4,087) | (4,792) |
| Dividends paid | 0 | (59) | (59) | (1,125) | (43) | (1,227) |
| Excess tax benefits related to share-based compensation | 0 | 0 | 0 | 0 | 0 | 0 |
| Other, net | (756) | (355) | (1,111) | 861 | (1,218) | (1,468) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **18,355** | **10,952** | **29,307** | **1,112** | **(1,089)** | **29,330** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(17)** | **589** | **572** | **(2)** | **4** | **574** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **(8)** | **(175)** | **(183)** | **0** | **0** | **(183)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **32** | **(2,226)** | **(2,194)** | **270** | **(299)** | **(2,223)** |
| Cash and due from banks at beginning of period | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| **Cash and due from banks at end of period** | **4,819** | **61,064** | **65,883** | **1,065** | **(479)** | **66,469** |

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 150 million and CHF 113 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 6M13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **2,033** | **12,484** | **14,517** | **146** [2] | **(109)** | **14,554** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (2) | 1,561 | 1,559 | 0 | (1,030) | 529 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 7,299 | 6,708 | 14,007 | 0 | 0 | 14,007 |
| Purchase of investment securities | 0 | (212) | (212) | 0 | 0 | (212) |
| Proceeds from sale of investment securities | 0 | 36 | 36 | 0 | 0 | 36 |
| Maturities of investment securities | 0 | 39 | 39 | 0 | 53 | 92 |
| Investments in subsidiaries and other investments | 224 | (863) | (639) | 0 | (262) | (901) |
| Proceeds from sale of other investments | 910 | 438 | 1,348 | 32 | 237 | 1,617 |
| (Increase)/decrease in loans | 1,739 | (3,567) | (1,828) | 281 | (2,105) | (3,652) |
| Proceeds from sales of loans | 0 | 484 | 484 | 0 | 0 | 484 |
| Capital expenditures for premises and equipment and other intangible assets | (119) | (317) | (436) | 0 | (4) | (440) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 8 | 8 | 0 | 0 | 8 |
| Other, net | (61) | 59 | (2) | 0 | 0 | (2) |
| **Net cash provided by/(used in) investing activities of continuing operations** | **9,990** | **4,374** | **14,364** | **313** | **(3,111)** | **11,566** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 76 | 15,195 | 15,271 | (1,314) | 2,086 | 16,043 |
| Increase/(decrease) in short-term borrowings | 12,717 | (6,821) | 5,896 | 0 | 0 | 5,896 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (23,215) | (14,149) | (37,364) | 0 | 0 | (37,364) |
| Issuances of long-term debt | 679 | 16,338 | 17,017 | 0 | 242 | 17,259 |
| Repayments of long-term debt | (1,974) | (31,113) | (33,087) | 0 | (535) | (33,622) |
| Issuances of common shares | 0 | 0 | 0 | 928 | 0 | 928 |
| Sale of treasury shares | 0 | 0 | 0 | 38 | 5,090 | 5,128 |
| Repurchase of treasury shares | 0 | 0 | 0 | (192) | (5,287) | (5,479) |
| Dividends paid | 0 | (147) | (147) | (154) | (105) | (406) |
| Excess tax benefits related to share-based compensation | 0 | 0 | 0 | 0 | 0 | 0 |
| Other, net | 323 | (1,417) | (1,094) | 221 | 409 | (464) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(11,394)** | **(22,114)** | **(33,508)** | **(473)** | **1,900** | **(32,081)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **167** | **961** | **1,128** | **(2)** | **4** | **1,130** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **(7)** | **(341)** | **(348)** | **0** | **0** | **(348)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **789** | **(4,636)** | **(3,847)** | **(16)** | **(1,316)** | **(5,179)** |
| Cash and due from banks at beginning of period | 4,523 | 56,853 | 61,376 | 19 | 368 | 61,763 |
| **Cash and due from banks at end of period** | **5,312** | **52,217** | **57,529** | **3** | **(948)** | **56,584** |

1 Includes eliminations and consolidation adjustments.
2 Consists of dividend payments from Group companies of CHF 161 million and CHF 21 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-backed securities |
| ADS | American Depositary Share |
| AGM | Annual General Meeting |
| AMA | Advanced measurement approach |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| BoE | Bank of England |
| bp | Basis point |
| **C** | |
| CCA | Contingent Capital Awards |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFIG | Customized Fund Investment Group |
| CFTC | Commodity Futures Trading Commission |
| CIFG | CIFG Assurance North America, Inc. |
| CMBS | Commercial mortgage-backed securities |
| COF | Capital Opportunity Facility |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **D** | |
| DFS | New York State Department of Financial Services |
| DOJ | US Department of Justice |
| DVA | Debit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| ETF | Exchange-traded funds |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| FATCA | Foreign Account Tax Compliance Act |
| Fed | US Federal Reserve |
| FFSA | Federal Financial Services Act |
| FHFA | Federal Housing Finance Agency |
| FinIA | Financial Institutions Act |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FMIA | Financial Market Infrastructure Act |
| FSB | Financial Stability Board |
| **G** | |
| G-7 | Group of seven leading industry nations |
| GDP | Gross Domestic Product |
| GSE | Government-sponsored enterprise |
| G-SIB | Global Systemically Important Bank |
| **I** | |
| IPO | Initial public offering |
| IRC | Incremental risk charge |
| IRS | US Internal Revenue Service |
| ISDA | International Swaps and Derivatives Association |
| ISU | Incentive Share Unit |
| **K** | |
| KPI | Key performance indicator |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MACCS | Mandatory and contingent convertible securities |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OECD | Organization for Economic Co-operation and Development |
| OTC | Over-the-counter |
| **P** | |
| PAF2 | 2011 Partner Asset Facility |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SCNY | Supreme Court for the State of New York, New York County |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SISU | Scaled Incentive Share Unit |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| | 6M14 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| | | | | in / end of |
| **Share price (common shares, CHF)** | | | | |
| Average | 27.64 | 26.74 | 21.23 | 31.43 |
| Minimum | 25.28 | 22.90 | 16.01 | 19.65 |
| Maximum | 30.08 | 30.29 | 27.20 | 44.99 |
| End of period | 25.36 | 27.27 | 22.26 | 22.07 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 30.96 | 28.85 | 22.70 | 35.36 |
| Minimum | 28.29 | 24.56 | 16.20 | 21.20 |
| Maximum | 33.19 | 33.84 | 29.69 | 47.63 |
| End of period | 28.37 | 30.84 | 24.56 | 23.48 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 40,758 | 43,526 | 29,402 | 27,021 |
| Market capitalization (USD million) | 45,595 | 49,224 | 32,440 | 28,747 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.75 [1, 2] | 0.75 [1, 3] |

[1] Paid out of reserves from capital contributions.
[2] The distribution was payable in cash of CHF 0.10 per share and in the form of new shares with an approximate value of CHF 0.65 per share.
[3] The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.

## Ticker symbols / stock exchange listings

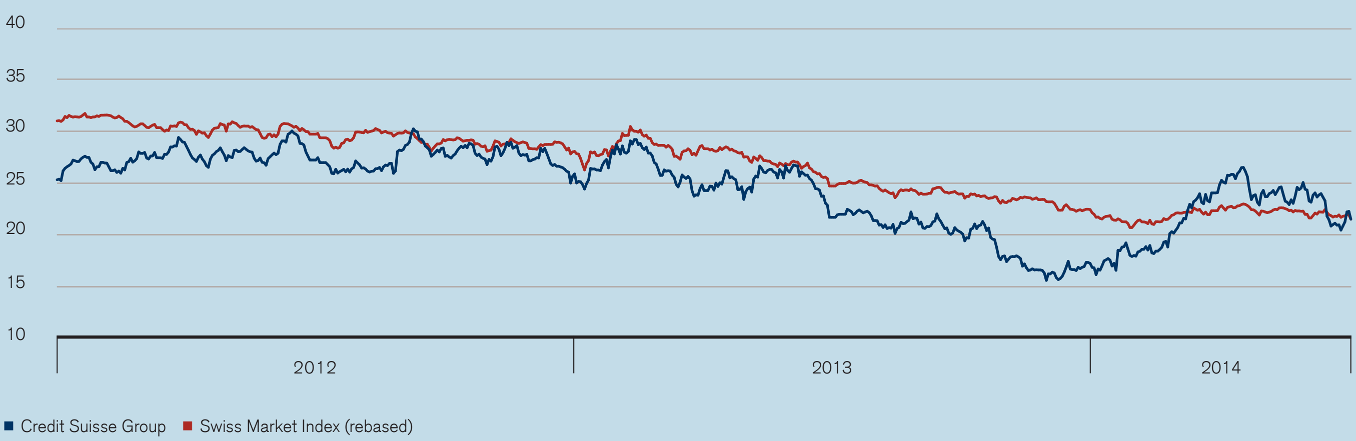
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| Telekurs | CSGN,380 | CS,065 |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of July 30, 2014 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | A2 | A- | A |
| Outlook | Negative | Negative | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A1 | A | A |
| Outlook | Negative | Negative | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Third quarter 2014 results | Thursday, October 23, 2014 |
| Fourth quarter / Full year 2014 results | Thursday, February 12, 2015 |
| **Investor relations** | |
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |
| **Media relations** | |
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |
| **Additional information** | |
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | Dept. HKG 1 |
| | P.O. Box |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 800 937 5449 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |
| **Swiss share register and transfer agent** | |
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 26 60 |
| E-Mail | robert.rohner@credit-suisse.com |

## Foreign currency translation rates

| | | | | End of | | | Average in | | Average in |
|---|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
| 1 USD / 1 CHF | 0.89 | 0.88 | 0.89 | 0.95 | 0.89 | 0.89 | 0.95 | 0.89 | 0.93 |
| 1 EUR / 1 CHF | 1.21 | 1.22 | 1.23 | 1.23 | 1.22 | 1.22 | 1.23 | 1.22 | 1.23 |
| 1 GBP / 1 CHF | 1.52 | 1.47 | 1.47 | 1.44 | 1.49 | 1.48 | 1.45 | 1.49 | 1.44 |
| 100 JPY / 1 CHF | 0.88 | 0.86 | 0.85 | 0.95 | 0.87 | 0.87 | 0.96 | 0.87 | 0.99 |

**Cautionary statement regarding forward-looking information**

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2013.



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Our 2013 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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5520134 English

# Credit Suisse (Bank) Financial Statements 6M14

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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheet of Credit Suisse AG and subsidiaries (the "Bank") as of June 30, 2014 and the related condensed consolidated statements of operations, changes in equity, comprehensive income and cash flows for the six-month periods ended June 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Bank's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Bank as of December 31, 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated April 3, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Simon Ryder
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
July 31, 2014

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# Credit Suisse (Bank) Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Consolidated statements of operations (CHF million)** | | |
| Interest and dividend income | 9,880 | 10,771 |
| Interest expense | (5,301) | (6,495) |
| Net interest income | 4,579 | 4,276 |
| Commissions and fees | 6,523 | 6,687 |
| Trading revenues | 751 | 2,164 |
| Other revenues | 1,178 | 660 |
| **Net revenues** | **13,031** | **13,787** |
| **Provision for credit losses** | **23** | **37** |
| Compensation and benefits | 5,997 | 5,843 |
| General and administrative expenses | 5,162 | 3,644 |
| Commission expenses | 740 | 921 |
| Total other operating expenses | 5,902 | 4,565 |
| **Total operating expenses** | **11,899** | **10,408** |
| **Income from continuing operations before taxes** | **1,109** | **3,342** |
| Income tax expense | 802 | 925 |
| **Income from continuing operations** | **307** | **2,417** |
| Income/(loss) from discontinued operations, net of tax | 6 | (3) |
| **Net income** | **313** | **2,414** |
| Net income attributable to noncontrolling interests | 184 | 535 |
| **Net income/(loss) attributable to shareholder** | **129** | **1,879** |
| of which from continuing operations | 123 | 1,882 |
| of which from discontinued operations | 6 | (3) |

## Consolidated statements of comprehensive income (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Comprehensive income (CHF million)** | | |
| Net income | 313 | 2,414 |
| Gains/(losses) on cash flow hedges | 15 | (17) |
| Foreign currency translation | (211) | 768 |
| Unrealized gains/(losses) on securities | 15 | (10) |
| Actuarial gains/(losses) | 19 | 28 |
| Net prior service credit/(cost) | (1) | 0 |
| Other comprehensive income/(loss), net of tax | (163) | 769 |
| **Comprehensive income** | **150** | **3,183** |
| **Comprehensive income attributable to noncontrolling interests** | **160** | **765** |
| **Comprehensive income/(loss) attributable to shareholder** | **(10)** | **2,418** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 6M14 | 2013 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 65,883 | 68,077 |
| of which reported at fair value | 724 | 527 |
| of which reported from consolidated VIEs | 916 | 952 |
| Interest-bearing deposits with banks | 3,908 | 3,385 |
| of which reported at fair value | 309 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 165,741 | 160,013 |
| of which reported at fair value | 86,586 | 96,587 |
| of which reported from consolidated VIEs | 1,224 | 1,959 |
| Securities received as collateral, at fair value | 21,611 | 22,800 |
| of which encumbered | 16,737 | 17,964 |
| Trading assets, at fair value | 235,636 | 229,736 |
| of which encumbered | 75,778 | 72,976 |
| of which reported from consolidated VIEs | 3,439 | 3,610 |
| Investment securities | 2,028 | 1,627 |
| of which reported at fair value | 2,028 | 1,627 |
| of which reported from consolidated VIEs | 59 | 100 |
| Other investments | 7,565 | 10,207 |
| of which reported at fair value | 5,243 | 7,590 |
| of which reported from consolidated VIEs | 1,928 | 1,983 |
| Net loans | 238,035 | 231,157 |
| of which reported at fair value | 19,897 | 19,457 |
| of which encumbered | 92 | 638 |
| of which reported from consolidated VIEs | 2,008 | 4,207 |
| allowance for loan losses | (656) | (691) |
| Premises and equipment | 4,614 | 4,895 |
| of which reported from consolidated VIEs | 464 | 481 |
| Goodwill | 7,105 | 7,121 |
| Other intangible assets | 245 | 210 |
| of which reported at fair value | 66 | 42 |
| Brokerage receivables | 56,308 | 52,044 |
| Other assets | 62,998 | 61,556 |
| of which reported at fair value | 31,272 | 31,518 |
| of which encumbered | 439 | 722 |
| of which reported from consolidated VIEs | 13,813 | 14,329 |
| Assets of discontinued operations held-for-sale | 979 | 1,584 |
| **Total assets** | **872,656** | **854,412** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited) (continued)

| end of | 6M14 | 2013 |
|---|---|---|
| **Liabilities and equity (CHF million)** | | |
| Due to banks | 26,904 | 23,147 |
| of which reported at fair value | 1,008 | 1,460 |
| Customer deposits | 334,944 | 321,851 |
| of which reported at fair value | 3,219 | 3,241 |
| of which reported from consolidated VIEs | 269 | 265 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,066 | 94,032 |
| of which reported at fair value | 60,529 | 76,104 |
| Obligation to return securities received as collateral, at fair value | 21,611 | 22,800 |
| Trading liabilities, at fair value | 75,125 | 76,812 |
| of which reported from consolidated VIEs | 16 | 93 |
| Short-term borrowings | 29,426 | 20,193 |
| of which reported at fair value | 7,132 | 6,053 |
| of which reported from consolidated VIEs | 8,733 | 4,286 |
| Long-term debt | 138,307 | 126,641 |
| of which reported at fair value | 68,738 | 61,853 |
| of which reported from consolidated VIEs | 11,857 | 12,992 |
| Brokerage payables | 68,842 | 73,154 |
| Other liabilities | 48,480 | 51,079 |
| of which reported at fair value | 20,005 | 21,971 |
| of which reported from consolidated VIEs | 858 | 710 |
| Liabilities of discontinued operations held-for-sale | 742 | 1,140 |
| **Total liabilities** | **832,447** | **810,849** |
| Common shares / participation securities | 4,400 | 4,400 |
| Additional paid-in capital | 33,872 | 34,617 |
| Retained earnings | 15,260 | 15,169 |
| Accumulated other comprehensive income/(loss) | (14,333) | (14,194) |
| **Total shareholder's equity** | **39,199** | **39,992** |
| Noncontrolling interests | 1,010 | 3,571 |
| **Total equity** | **40,209** | **43,563** |
| **Total liabilities and equity** | **872,656** | **854,412** |

| end of | 6M14 | 2013 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 1.00 | 1.00 |
| Issued shares | 4,399,680,200 | 4,399,665,200 |
| Shares outstanding | 4,399,680,200 | 4,399,665,200 |

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participation securities | Additional paid-in capital | Retained earnings | Treasury shares, at cost [1] | Accumulated other comprehensive income | **Total shareholder's equity** | Non-controlling interests | **Total equity** |
| **6M14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **34,617** | **15,169** | **0** | **(14,194)** | **39,992** | **3,571** | **43,563** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [2, 3] | – | – | – | – | – | – | (369) | (369) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [3] | – | – | – | – | – | – | 36 | 36 |
| Net income/(loss) | – | – | 129 | – | – | 129 | 184 | 313 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (139) | (139) | (24) | (163) |
| Share-based compensation, net of tax | – | (707) [4] | – | – | – | (707) | (1) | (708) |
| Dividends on share-based compensation, net of tax | – | (39) | – | – | – | (39) | – | (39) |
| Dividends paid | – | – | (38) | – | – | (38) | (21) | (59) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,366) | (2,366) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **4,400** | **33,872** | **15,260** | **0** | **(14,333)** | **39,199** | **1,010** | **40,209** |
| **6M13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **28,686** | **13,637** | **0** | **(11,956)** | **34,767** | **7,394** | **42,161** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (606) | (606) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 333 | 333 |
| Net income/(loss) | – | – | 1,879 | – | – | 1,879 | 535 | 2,414 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 539 | 539 | 230 | 769 |
| Share-based compensation, net of tax | – | (381) | – | – | – | (381) | (1) | (382) |
| Dividends on share-based compensation, net of tax | – | (88) | – | – | – | (88) | – | (88) |
| Dividends paid | – | – | (124) | – | – | (124) | (23) | (147) |
| Changes in redeemable noncontrolling interests | – | (5) | – | – | – | (5) | – | (5) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 8 | 8 |
| **Balance at end of period** | **4,400** | **28,212** | **15,392** | **0** | **(11,417)** | **36,587** | **7,870** | **44,457** |

1 Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
2 Distributions to owners in funds include the return of original capital invested and any related dividends.
3 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
4 Includes a net tax charge of CHF (36) million from the excess recognized compensation expense over fair value of shares delivered.

## Consolidated statements of cash flows (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income** | **313** | **2,414** |
| (Income)/loss from discontinued operations, net of tax | (6) | 3 |
| **Income from continuing operations** | **307** | **2,417** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 617 | 663 |
| Provision for credit losses | 23 | 37 |
| Deferred tax provision/(benefit) | 533 | 601 |
| Share of net income/(loss) from equity method investments | 257 | 139 |
| Trading assets and liabilities, net | (6,064) | 13,668 |
| (Increase)/decrease in other assets | (10,095) | (22,963) |
| Increase/(decrease) in other liabilities | (4,109) | 22,142 |
| Other, net | 707 | (2,187) |
| Total adjustments | (18,131) | 12,100 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(17,824)** | **14,517** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | (532) | 1,559 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (5,762) | 14,007 |
| Purchase of investment securities | (459) | (212) |
| Proceeds from sale of investment securities | 48 | 36 |
| Maturities of investment securities | 10 | 39 |
| Investments in subsidiaries and other investments | (451) | (639) |
| Proceeds from sale of other investments | 823 | 1,348 |
| (Increase)/decrease in loans | (8,428) | (1,828) |
| Proceeds from sales of loans | 943 | 484 |
| Capital expenditures for premises and equipment and other intangible assets | (407) | (436) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 8 |
| Other, net | 149 | (2) |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(14,066)** | **14,364** |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 6M14 | 6M13 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 16,697 | 15,271 |
| Increase/(decrease) in short-term borrowings | 9,095 | 5,896 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (5,659) | (37,364) |
| Issuances of long-term debt | 32,030 | 17,017 |
| Repayments of long-term debt | (21,686) | (33,087) |
| Dividends paid | (59) | (147) |
| Other, net | (1,111) | (1,094) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **29,307** | **(33,508)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **572** | **1,128** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | |
| **Net cash provided by/(used in) discontinued operations** | **(183)** | **(348)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **(2,194)** | **(3,847)** |
| | | |
| Cash and due from banks at beginning of period | 68,077 | 61,376 |
| **Cash and due from banks at end of period** | **65,883** | **57,529** |

## Supplemental cash flow information (unaudited)

| in | 6M14 | 6M13 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 777 | 439 |
| Cash paid for interest | 5,413 | 6,437 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 32 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 8 | 0 |
| Liabilities sold | 1 | 0 |

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Credit Suisse AG (the Bank) are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2013, included in the Credit Suisse Group AG & Credit Suisse AG Annual Report 2013 (Credit Suisse Annual Report 2013).

‣ Refer to "Note 1 – Summary of significant accounting policies" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for a description of the Bank's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP but not required for interim reporting purposes has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

‣ Refer to "Note 2 – Recently issued accounting standards" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for a complete description of recently adopted accounting standards.

‣ Refer to "Note 2 – Recently issued accounting standards" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 for the most recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial condition, results of operations or cash flows was or is expected to be identical.

## 3 Business developments

▸ Refer to "Note 4 – Discontinued operations" for information on business divestitures in 6M14.

In April 2014, the Bank entered into an agreement with the current head of Credit Suisse Hedging-Griffo Asset Management pursuant to which he will be the controlling shareholder of a new firm, Verde Asset Management, and the Bank will be a minority shareholder. The transaction is subject to customary closing conditions and the approval of the change of management to Verde Asset Management by shareholders of the relevant funds managed by Credit Suisse Hedging-Griffo. The transaction is expected to close by year-end 2014.

In July 2014, the Bank entered into an agreement to sell Private Banking & Wealth Management's local affluent and upper affluent business in Italy to Banca Generali S.p.A. The transaction also includes approximately 60 agents of Credit Suisse (Italy) S.p.A., with over EUR 2.0 billion of assets under management. The transaction is expected to close by November 2014, subject to customary closing conditions, including related to regulatory requirements and labor agreements.

In July 2014, the Bank announced that with respect to the global macro products business, it decided to exit its small commodities trading business. The Bank will also re-focus its foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and will further simplify its rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

## 4 Discontinued operations

In December 2013, the Bank announced the sale of its domestic private banking business booked in Germany (German private banking business) to Bethmann Bank AG, a subsidiary of ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of the end of 6M14, the German private banking business had total assets and liabilities of CHF 979 million and CHF 742 million, respectively, that were held-for-sale. Bethmann Bank AG and ABN AMRO are companies unrelated to the Group.

In January 2014, the Bank completed the sale of Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in 6M14 net of allocated goodwill of CHF 23 million. As of the end of 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Group continues to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In March 2014, the Bank completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for 6M14 and prior periods have not been restated. The Group will retain certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Group.

▸ Refer to "Note 4 – Discontinued operations" in III – Consolidated financial statements – unaudited Credit Suisse Financial Report 2Q14 for further information.

### Assets held-for-sale

| end of | 6M14 | 2013 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Cash | 277 | 960 |
| Loans | 686 | 575 |
| Other assets | 16 | 18 |
| **Total assets held-for-sale** | **979** | **1,553** |
| **CFIG (CHF million)** | | |
| Fees receivable | – | 8 |
| Goodwill | – | 23 |
| **Total assets held-for-sale** | **–** | **31** |
| **Bank (CHF million)** | | |
| **Total assets held-for-sale** | **979** | **1,584** |

### Liabilities held-for-sale

| end of | 6M14 | 2013 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Deposits | 696 | 1,118 |
| Other liabilities | 46 | 22 |
| **Total liabilities held-for-sale** | **742** | **1,140** |
| **Bank (CHF million)** | | |
| **Total liabilities held-for-sale** | **742** | **1,140** |

## Income/(loss) from discontinued operations

| in | 6M14 | 6M13 |
|---|---|---|
| **Operations-related (CHF million)** | | |
| **Net revenues** | **24** | **142** |
| of which German private banking business | 20 | 26 |
| of which ETF business | – | 29 |
| of which Strategic Partners | – | 28 |
| of which CFIG | 0 | 56 |
| Operating expenses | 28 | 111 |
| of which German private banking business | 26 | 38 |
| of which ETF business | – | 20 |
| of which Strategic Partners | – | 8 |
| of which CFIG | 0 | 41 |
| Income tax expense/(benefit) | 1 | 22 |
| of which German private banking business | 0 | (1) |
| of which ETF business | – | 5 |
| of which Strategic Partners | – | 9 |
| of which CFIG | 0 | 9 |
| **Income/(loss), net of tax** | **(5)** | **9** |
| of which German private banking business | (6) | (11) |
| of which ETF business | – | 4 |
| of which Strategic Partners | – | 11 |
| of which CFIG | 0 | 6 |
| **Transaction-related (CHF million)** | | |
| **Gain on disposal** | **91** | **–** |
| of which CFIG | 91 | – |
| Operating expenses | 41 | 20 |
| of which German private banking business | 35 | – |
| of which ETF business | – | 6 |
| of which Strategic Partners | – | 12 |
| of which CFIG | 0 | 2 |
| Income tax expense/(benefit) | 39 | (8) |
| of which ETF business | – | (2) |
| of which Strategic Partners | – | (5) |
| of which CFIG | 42 | (1) |
| **Income/(loss), net of tax** | **11** | **(12)** |
| of which German private banking business | (35) | – |
| of which ETF business | – | (4) |
| of which Strategic Partners | – | (7) |
| of which CFIG | 49 | (1) |
| **Discontinued operations – total (CHF million)** | | |
| **Income/(loss) from discontinued operations, net of tax** | **6** | **(3)** |
| of which German private banking business | (41) | (11) |
| of which ETF business | – | 0 |
| of which Strategic Partners | – | 4 |
| of which CFIG | 49 | 5 |

## 5 Segment information

### Overview

For purpose of presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Private Banking & Wealth Management. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for 6M14 and 6M13 were CHF 129 million and CHF 121 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 322 million and CHF 328 million, respectively. Total assets of these non-consolidated affiliate entities included in the segment presentation as of June 30, 2014 and December 31, 2013 were CHF 25.6 billion and CHF 25.4 billion, respectively.

▸ Refer to "Note 5 – Segment information" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 for further information.

### Net revenues and income before taxes

| in | 6M14 | 6M13 |
|---|---|---|
| **Net revenues (CHF million)** | | |
| Private Banking & Wealth Management | 6,286 | 6,697 |
| Investment Banking | 6,758 | 7,345 |
| Adjustments [1, 2] | (13) | (255) |
| **Net revenues** | **13,031** | **13,787** |
| **Income/(loss) before taxes (CHF million)** | | |
| Private Banking & Wealth Management | 263 | 1,798 |
| Investment Banking | 1,579 | 2,054 |
| Adjustments [1, 3] | (733) | (510) |
| **Income before taxes** | **1,109** | **3,342** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.
[2] Includes noncontrolling interest-related revenues of CHF 397 million and CHF 229 million in 6M14 and 6M13, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such revenues.
[3] Includes noncontrolling interest income of CHF 374 million and CHF 210 million in 6M14 and 6M13, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such income.

### Total assets

| end of | 6M14 | 2013 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Private Banking & Wealth Management | 322,669 | 316,491 |
| Investment Banking | 525,101 | 519,712 |
| Adjustments [1] | 24,886 | 18,209 |
| **Total assets** | **872,656** | **854,412** |

[1] Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

## 6 Net interest income

| in | 6M14 | 6M13 |
|---|---|---|
| **Net interest income (CHF million)** | | |
| Loans | 2,191 | 2,136 |
| Investment securities | 14 | 16 |
| Trading assets | 5,566 | 6,130 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,103 | 1,376 |
| Other | 1,006 | 1,113 |
| Interest and dividend income | 9,880 | 10,771 |
| Deposits | (479) | (507) |
| Short-term borrowings | (52) | (33) |
| Trading liabilities | (2,387) | (3,098) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (523) | (733) |
| Long-term debt | (1,716) | (2,003) |
| Other | (144) | (121) |
| Interest expense | (5,301) | (6,495) |
| **Net interest income** | **4,579** | **4,276** |

## 7 Commissions and fees

| in | 6M14 | 6M13 |
|---|---|---|
| **Commissions and fees (CHF million)** | | |
| Lending business | 867 | 910 |
| Investment and portfolio management | 1,776 | 1,861 |
| Other securities business | 50 | 51 |
| Fiduciary business | 1,826 | 1,912 |
| Underwriting | 1,096 | 898 |
| Brokerage | 1,849 | 2,149 |
| Underwriting and brokerage | 2,945 | 3,047 |
| Other services | 885 | 818 |
| **Commissions and fees** | **6,523** | **6,687** |

## 8 Trading revenues

| in | 6M14 | 6M13 |
|---|---|---|
| **Trading revenues (CHF million)** | | |
| Interest rate products | 4,120 | 595 |
| Foreign exchange products | (2,352) | 897 |
| Equity/index-related products | (488) | 479 |
| Credit products | (810) | (44) |
| Commodity, emission and energy products | 46 | 191 |
| Other products | 235 | 46 |
| **Total** | **751** | **2,164** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

## 9 Other revenues

| in | 6M14 | 6M13 |
|---|---|---|
| **Other revenues (CHF million)** | | |
| Noncontrolling interests without significant economic interest | 388 | 249 |
| Loans held-for-sale | 0 | (3) |
| Long-lived assets held-for-sale | 25 | (22) |
| Equity method investments | 110 | 60 |
| Other investments | 201 | 102 |
| Other | 454 | 274 |
| **Other revenues** | **1,178** | **660** |

## 10 Provision for credit losses

| in | 6M14 | 6M13 |
|---|---|---|
| **Provision for credit losses (CHF million)** | | |
| Provision for loan losses | 22 | 32 |
| Provision for lending-related and other exposures | 1 | 5 |
| **Provision for credit losses** | **23** | **37** |

## 11 Compensation and benefits

| in | 6M14 | 6M13 |
|---|---|---|
| **Compensation and benefits (CHF million)** | | |
| Salaries and variable compensation | 5,082 | 4,925 |
| Social security | 461 | 443 |
| Other [1] | 454 | 475 |
| **Compensation and benefits** [2] | **5,997** | **5,843** |

[1] Includes pension and other post-retirement expense of CHF 316 million and CHF 319 million in 6M14 and 6M13, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 86 million and CHF 144 million as of 6M14 and 6M13, respectively.

## 12 General and administrative expenses

| in | 6M14 | 6M13 |
|---|---|---|
| **General and administrative expenses (CHF million)** | | |
| Occupancy expenses | 569 | 561 |
| IT, machinery, etc. | 682 | 759 |
| Provisions and losses | 1,921 | 443 |
| Travel and entertainment | 165 | 176 |
| Professional services | 1,053 | 883 |
| Amortization and impairment of other intangible assets | 10 | 13 |
| Other | 762 | 809 |
| **General and administrative expenses** | **5,162** | **3,644** |

## 13 Trading assets and liabilities

| end of | 6M14 | 2013 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 105,080 | 110,115 |
| Equity securities [1] | 88,341 | 76,835 |
| Derivative instruments [2] | 30,943 | 31,787 |
| Other | 11,272 | 10,999 |
| **Trading assets** | **235,636** | **229,736** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 40,617 | 40,162 |
| Derivative instruments [2] | 34,508 | 36,650 |
| **Trading liabilities** | **75,125** | **76,812** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | 6M14 | 2013 |
|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | |
| Cash collateral paid | 25,208 | 23,929 |
| Cash collateral received | 20,069 | 20,512 |
| **Cash collateral – not netted (CHF million)** [2] | | |
| Cash collateral paid | 8,094 | 8,359 |
| Cash collateral received | 12,846 | 11,664 |

[1] Recorded as cash collateral netting on derivative instruments in Note 19 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 16 – Other assets and other liabilities.

## 14 Investment securities

| end of | 6M14 | 2013 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 2,028 | 1,627 |
| **Total investment securities** | **2,028** | **1,627** |

### Investment securities by type

| | | | | 6M14 | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| **6M14 (CHF million)** | | | | | | | | |
| Debt securities issued by foreign governments | 1,544 | 40 | 0 | 1,584 | 1,136 | 29 | 1 | 1,164 |
| Corporate debt securities | 279 | 0 | 0 | 279 | 262 | 0 | 0 | 262 |
| Collateralized debt obligations | 59 | 0 | 0 | 59 | 100 | 0 | 0 | 100 |
| Debt securities available-for-sale | 1,882 | 40 | 0 | 1,922 | 1,498 | 29 | 1 | 1,526 |
| Banks, trust and insurance companies | 74 | 22 | 0 | 96 | 74 | 18 | 0 | 92 |
| Industry and all other | 10 | 0 | 0 | 10 | 9 | 0 | 0 | 9 |
| Equity securities available-for-sale | 84 | 22 | 0 | 106 | 83 | 18 | 0 | 101 |
| **Securities available-for-sale** | **1,966** | **62** | **0** | **2,028** | **1,581** | **47** | **1** | **1,627** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **2013 (CHF million)** | | | | | | |
| Debt securities issued by foreign governments | 89 | 1 | 0 | 0 | 89 | 1 |
| **Debt securities available-for-sale** | **89** | **1** | **0** | **0** | **89** | **1** |

There were no unrealized losses on investment securities in 6M14. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | | 6M14 | | 6M13 |
|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 41 | 7 | 27 | 9 |

### Amortized cost, fair value and average yield of debt securities

| | | | Debt securities available-for-sale |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **6M14 (CHF million)** | | | |
| Due within 1 year | 401 | 402 | 1.03 |
| Due from 1 to 5 years | 1,001 | 1,031 | 2.41 |
| Due from 5 to 10 years | 480 | 489 | 1.32 |
| **Total debt securities** | **1,882** | **1,922** | **1.84** |

## 15 Loans, allowance for loan losses and credit quality

▸ Refer to "Note 16 – Loans, allowance for loan losses and credit quality" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and "Note 17 – Loans, allowance for loan losses and credit quality" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### Loans

| end of | 6M14 | 2013 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 82,870 | 81,115 |
| Loans collateralized by securities | 35,783 | 31,472 |
| Consumer finance | 2,598 | 3,025 |
| Consumer | 121,251 | 115,612 |
| Real estate | 24,510 | 24,673 |
| Commercial and industrial loans | 62,753 | 60,375 |
| Financial institutions | 27,334 | 28,473 |
| Governments and public institutions | 3,016 | 2,864 |
| Corporate & institutional | 117,613 | 116,385 |
| **Gross loans** | **238,864** | **231,997** |
| of which held at amortized cost | 218,967 | 212,540 |
| of which held at fair value | 19,897 | 19,457 |
| Net (unearned income)/deferred expenses | (173) | (149) |
| Allowance for loan losses | (656) | (691) |
| **Net loans** | **238,035** | **231,157** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 139,595 | 135,813 |
| Foreign | 99,269 | 96,184 |
| **Gross loans** | **238,864** | **231,997** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 654 | 659 |
| Non-interest-earning loans | 264 | 255 |
| Total non-performing and non-interest-earning loans | 918 | 914 |
| Restructured loans | 83 | 6 |
| Potential problem loans | 198 | 274 |
| Total other impaired loans | 281 | 280 |
| **Gross impaired loans** | **1,199** | **1,194** |

## Allowance for loan losses

| | 6M14 | | | 6M13 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **134** | **557** | **691** | **143** | **578** | **721** |
| Net movements recognized in statements of operations | 5 | 17 | 22 | 3 | 29 | 32 |
| Gross write-offs | (16) | (78) | (94) | (17) | (82) | (99) |
| Recoveries | 7 | 20 | 27 | 10 | 24 | 34 |
| Net write-offs | (9) | (58) | (67) | (7) | (58) | (65) |
| Provisions for interest | 2 | 8 | 10 | 2 | 10 | 12 |
| Foreign currency translation impact and other adjustments, net | 0 | 0 | 0 | 4 | 9 | 13 |
| **Balance at end of period** | **132** | **524** | **656** | **145** | **568** | **713** |
| of which individually evaluated for impairment | 104 | 378 | 482 | 115 | 412 | 527 |
| of which collectively evaluated for impairment | 28 | 146 | 174 | 30 | 156 | 186 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | |
| **Balance at end of period** | **121,239** | **97,728** | **218,967** | **114,453** | **96,583** | **211,036** |
| of which individually evaluated for impairment [1] | 407 | 792 | 1,199 | 384 | 984 | 1,368 |
| of which collectively evaluated for impairment | 120,832 | 96,936 | 217,768 | 114,069 | 95,599 | 209,668 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| | 6M14 | | | 6M13 | | |
|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 29 | 1,405 | 1,434 | 0 | 2,115 | 2,115 |
| Reclassifications from loans held-for-sale [2] | 0 | 188 | 188 | 0 | 106 | 106 |
| Reclassifications to loans held-for-sale [3] | 0 | 410 | 410 | 0 | 308 | 308 |
| Sales [3] | 0 | 64 | 64 | 0 | 187 | 187 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **6M14 (CHF million)** | | | | | | | | | | | |
| Mortgages | 399 | 2,233 | 16,917 | 51,039 | 11,430 | 638 | 30 | 0 | 0 | 184 | 82,870 |
| Loans collateralized by securities | 1,776 | 716 | 4,552 | 26,213 | 2,197 | 228 | 5 | 9 | 0 | 87 | 35,783 |
| Consumer finance | 249 | 51 | 109 | 1,594 | 459 | 17 | 1 | 0 | 0 | 106 | 2,586 |
| Consumer | 2,424 | 3,000 | 21,578 | 78,846 | 14,086 | 883 | 36 | 9 | 0 | 377 | 121,239 |
| Real estate | 865 | 1,522 | 2,463 | 13,744 | 5,134 | 222 | 0 | 0 | 0 | 92 | 24,042 |
| Commercial and industrial loans | 403 | 924 | 1,626 | 21,561 | 22,466 | 3,767 | 223 | 15 | 3 | 547 | 51,535 |
| Financial institutions | 924 | 1,528 | 8,668 | 6,893 | 2,249 | 441 | 104 | 17 | 0 | 98 | 20,922 |
| Governments and public institutions | 47 | 303 | 131 | 353 | 115 | 58 | 222 | 0 | 0 | 0 | 1,229 |
| Corporate & institutional | 2,239 | 4,277 | 12,888 | 42,551 | 29,964 | 4,488 | 549 | 32 | 3 | 737 | 97,728 |
| **Gross loans held at amortized cost** | **4,663** | **7,277** | **34,466** | **121,397** | **44,050** | **5,371** | **585** | **41** | **3** | **1,114** | **218,967** |
| Value of collateral [1] | 3,689 | 6,175 | 25,621 | 114,675 | 37,310 | 3,827 | 106 | 32 | 0 | 631 | 192,066 |
| **2013 (CHF million)** | | | | | | | | | | | |
| Mortgages | 295 | 2,189 | 16,030 | 49,618 | 12,052 | 732 | 36 | 0 | 0 | 163 | 81,115 |
| Loans collateralized by securities | 182 | 348 | 4,208 | 24,442 | 2,101 | 89 | 2 | 6 | 0 | 94 | 31,472 |
| Consumer finance | 0 | 14 | 222 | 2,339 | 335 | 19 | 0 | 0 | 0 | 85 | 3,014 |
| Consumer | 477 | 2,551 | 20,460 | 76,399 | 14,488 | 840 | 38 | 6 | 0 | 342 | 115,601 |
| Real estate [2] | 1,343 | 991 | 3,330 | 12,484 | 5,701 | 308 | 0 | 1 | 0 | 69 | 24,227 |
| Commercial and industrial loans [2] | 135 | 675 | 1,716 | 20,337 | 21,620 | 3,453 | 227 | 6 | 0 | 596 | 48,765 |
| Financial institutions [2] | 1,319 | 1,689 | 10,274 | 6,045 | 2,436 | 776 | 14 | 1 | 0 | 112 | 22,666 |
| Governments and public institutions | 37 | 275 | 141 | 386 | 146 | 73 | 223 | 0 | 0 | 0 | 1,281 |
| Corporate & institutional | 2,834 | 3,630 | 15,461 | 39,252 | 29,903 | 4,610 | 464 | 8 | 0 | 777 | 96,939 |
| **Gross loans held at amortized cost** | **3,311** | **6,181** | **35,921** | **115,651** | **44,391** | **5,450** | **502** | **14** | **0** | **1,119** | **212,540** |
| Value of collateral [1] | 2,540 | 4,842 | 26,486 | 107,470 | 37,699 | 3,066 | 85 | 0 | 0 | 514 | 182,702 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31-60 days | 61-90 days | More than 90 days | Total | **Total** |
| **6M14 (CHF million)** | | | | | | | |
| Mortgages | 82,482 | 144 | 41 | 28 | 175 | 388 | 82,870 |
| Loans collateralized by securities | 35,564 | 118 | 3 | 10 | 88 | 219 | 35,783 |
| Consumer finance | 1,944 | 540 | 28 | 38 | 36 | 642 | 2,586 |
| Consumer | 119,990 | 802 | 72 | 76 | 299 | 1,249 | 121,239 |
| Real estate | 23,933 | 18 | 1 | 0 | 90 | 109 | 24,042 |
| Commercial and industrial loans | 50,580 | 522 | 64 | 120 | 249 | 955 | 51,535 |
| Financial institutions | 20,634 | 171 | 2 | 0 | 115 | 288 | 20,922 |
| Governments and public institutions | 1,227 | 2 | 0 | 0 | 0 | 2 | 1,229 |
| Corporate & institutional | 96,374 | 713 | 67 | 120 | 454 | 1,354 | 97,728 |
| **Gross loans held at amortized cost** | **216,364** | **1,515** | **139** | **196** | **753** | **2,603** | **218,967** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 80,823 | 103 | 25 | 24 | 140 | 292 | 81,115 |
| Loans collateralized by securities | 31,272 | 95 | 2 | 12 | 91 | 200 | 31,472 |
| Consumer finance | 2,650 | 277 | 38 | 28 | 21 | 364 | 3,014 |
| Consumer | 114,745 | 475 | 65 | 64 | 252 | 856 | 115,601 |
| Real estate [1] | 24,139 | 18 | 2 | 1 | 67 | 88 | 24,227 |
| Commercial and industrial loans [1] | 48,035 | 272 | 73 | 72 | 313 | 730 | 48,765 |
| Financial institutions [1] | 22,477 | 84 | 2 | 1 | 102 | 189 | 22,666 |
| Governments and public institutions | 1,276 | 5 | 0 | 0 | 0 | 5 | 1,281 |
| Corporate & institutional | 95,927 | 379 | 77 | 74 | 482 | 1,012 | 96,939 |
| **Gross loans held at amortized cost** | **210,672** | **854** | **142** | **138** | **734** | **1,868** | **212,540** |

## Gross impaired loans by category

| | Non-performing and non-interest earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **6M14 (CHF million)** | | | | | | | |
| Mortgages | 169 | 14 | 183 | 0 | 23 | 23 | 206 |
| Loans collateralized by securities | 22 | 68 | 90 | 0 | 3 | 3 | 93 |
| Consumer finance | 93 | 5 | 98 | 0 | 10 | 10 | 108 |
| Consumer | 284 | 87 | 371 | 0 | 36 | 36 | 407 |
| Real estate | 77 | 14 | 91 | 0 | 3 | 3 | 94 |
| Commercial and industrial loans | 209 | 131 | 340 | 83 | 156 | 239 | 579 |
| Financial institutions | 84 | 32 | 116 | 0 | 3 | 3 | 119 |
| Corporate & institutional | 370 | 177 | 547 | 83 | 162 | 245 | 792 |
| **Gross impaired loans** | **654** | **264** | **918** | **83** | **198** | **281** | **1,199** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 144 | 7 | 151 | 0 | 21 | 21 | 172 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 5 | 5 | 96 |
| Consumer finance | 81 | 5 | 86 | 0 | 0 | 0 | 86 |
| Consumer | 245 | 83 | 328 | 0 | 26 | 26 | 354 |
| Real estate | 52 | 13 | 65 | 0 | 5 | 5 | 70 |
| Commercial and industrial loans | 291 | 126 | 417 | 6 | 215 | 221 | 638 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 414 | 172 | 586 | 6 | 248 | 254 | 840 |
| **Gross impaired loans** | **659** | **255** | **914** | **6** | **274** | **280** | **1,194** |

## Gross impaired loan detail

| | | | 6M14 | | | 2013 |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 161 | 151 | 18 | 162 | 153 | 16 |
| Loans collateralized by securities | 67 | 63 | 51 | 67 | 63 | 54 |
| Consumer finance | 68 | 67 | 35 | 68 | 67 | 34 |
| Consumer | 296 | 281 | 104 | 297 | 283 | 104 |
| Real estate | 92 | 87 | 10 | 68 | 63 | 13 |
| Commercial and industrial loans | 547 | 500 | 298 | 629 | 584 | 312 |
| Financial institutions | 119 | 114 | 70 | 131 | 127 | 82 |
| Corporate & institutional | 758 | 701 | 378 | 828 | 774 | 407 |
| **Gross impaired loans with a specific allowance** | **1,054** | **982** | **482** | **1,125** | **1,057** | **511** |
| Mortgages | 45 | 45 | – | 10 | 10 | – |
| Loans collateralized by securities | 26 | 26 | – | 29 | 29 | – |
| Consumer finance | 40 | 40 | – | 18 | 18 | – |
| Consumer | 111 | 111 | – | 57 | 57 | – |
| Real estate | 2 | 2 | – | 2 | 2 | – |
| Commercial and industrial loans | 32 | 32 | – | 9 | 9 | – |
| Financial institutions | 0 | 0 | – | 1 | 1 | – |
| Corporate & institutional | 34 | 34 | – | 12 | 12 | – |
| **Gross impaired loans without specific allowance** | **145** | **145** | **–** | **69** | **69** | **–** |
| **Gross impaired loans** | **1,199** | **1,127** | **482** | **1,194** | **1,126** | **511** |
| of which consumer | 407 | 392 | 104 | 354 | 340 | 104 |
| of which corporate & institutional | 792 | 735 | 378 | 840 | 786 | 407 |

## Gross impaired loan detail (continued)

| | 6M14 | | | 6M13 | | |
|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 155 | 1 | 1 | 149 | 1 | 1 |
| Loans collateralized by securities | 65 | 0 | 0 | 71 | 1 | 0 |
| Consumer finance | 67 | 0 | 0 | 99 | 0 | 0 |
| Consumer | 287 | 1 | 1 | 319 | 2 | 1 |
| Real estate | 79 | 0 | 0 | 63 | 0 | 0 |
| Commercial and industrial loans | 616 | 0 | 0 | 700 | 3 | 3 |
| Financial institutions | 124 | 0 | 0 | 145 | 0 | 0 |
| Corporate & institutional | 819 | 0 | 0 | 908 | 3 | 3 |
| **Gross impaired loans with a specific allowance** | **1,106** | **1** | **1** | **1,227** | **5** | **4** |
| Mortgages | 18 | 0 | 0 | 26 | 0 | 0 |
| Loans collateralized by securities | 34 | 0 | 0 | 27 | 0 | 0 |
| Consumer finance | 20 | 0 | 0 | 29 | 0 | 0 |
| Consumer | 72 | 0 | 0 | 82 | 0 | 0 |
| Real estate | 13 | 0 | 0 | 7 | 0 | 0 |
| Commercial and industrial loans | 10 | 0 | 0 | 103 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 3 | 0 | 0 |
| Corporate & institutional | 23 | 0 | 0 | 113 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **95** | **0** | **0** | **195** | **0** | **0** |
| **Gross impaired loans** | **1,201** | **1** | **1** | **1,422** | **5** | **4** |
| of which consumer | 359 | 1 | 1 | 401 | 2 | 1 |
| of which corporate & institutional | 842 | 0 | 0 | 1,021 | 3 | 3 |

## 16 Other assets and other liabilities

| end of | 6M14 | 2013 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 8,094 | 8,359 |
| Cash collateral on non-derivative transactions | 2,445 | 1,412 |
| Derivative instruments used for hedging | 2,100 | 2,062 |
| Assets held-for-sale | 20,102 | 19,306 |
| of which loans | 19,755 | 18,914 |
| of which real estate | 347 | 392 |
| Assets held for separate accounts | 9,046 | 11,236 |
| Interest and fees receivable | 6,017 | 4,839 |
| Deferred tax assets | 5,539 | 6,179 |
| Prepaid expenses | 643 | 568 |
| Failed purchases | 2,996 | 2,365 |
| Other | 6,016 | 5,230 |
| **Other assets** | **62,998** | **61,556** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 12,846 | 11,664 |
| Cash collateral on non-derivative transactions | 738 | 955 |
| Derivative instruments used for hedging | 202 | 384 |
| Provisions [1] | 2,642 | 2,630 |
| of which off-balance sheet risk | 58 | 59 |
| Liabilities held for separate accounts | 9,046 | 11,236 |
| Interest and fees payable | 5,924 | 5,569 |
| Current tax liabilities | 738 | 805 |
| Deferred tax liabilities | 61 | 80 |
| Failed sales | 1,267 | 2,396 |
| Other | 15,016 | 15,360 |
| **Other liabilities** | **48,480** | **51,079** |

[1] Includes provisions for bridge commitments.

## 17 Long-term debt

### Long-term debt

| end of | 6M14 | 2013 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 104,377 | 91,893 |
| Subordinated | 22,073 | 21,756 |
| Non-recourse liabilities from consolidated VIEs | 11,857 | 12,992 |
| **Long-term debt** | **138,307** | **126,641** |
| of which reported at fair value | 68,738 | 61,853 |
| of which structured notes | 41,739 | 34,817 |

### Structured notes by product

| end of | 6M14 | 2013 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 29,855 | 22,607 |
| Fixed income | 6,080 | 6,455 |
| Credit | 4,778 | 5,016 |
| Other | 1,026 | 739 |
| **Total structured notes** | **41,739** | **34,817** |

## 18 Accumulated other comprehensive income

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income** |
|---|---|---|---|---|---|---|
| **6M14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **9** | **(13,527)** | **35** | **(714)** | **3** | **(14,194)** |
| Increase/(decrease) | 24 | (187) | 15 | (3) | 0 | (151) |
| Reclassification adjustments, included in net income | (9) | 0 | 0 | 22 | (1) | 12 |
| Total increase/(decrease) | 15 | (187) | 15 | 19 | (1) | (139) |
| **Balance at end of period** | **24** | **(13,714)** | **50** | **(695)** | **2** | **(14,333)** |
| **6M13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **7** | **(11,349)** | **53** | **(670)** | **3** | **(11,956)** |
| Increase/(decrease) | (17) | 492 | (10) | 0 | 0 | 465 |
| Reclassification adjustments, included in net income | 0 | 46 | 0 | 28 | 0 | 74 |
| Total increase/(decrease) | (17) | 538 | (10) | 28 | 0 | 539 |
| **Balance at end of period** | **(10)** | **(10,811)** | **43** | **(642)** | **3** | **(11,417)** |

### Details on significant reclassification adjustments

| in | **6M14** | 6M13 |
|---|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | | |
| **Cumulative translation adjustments** | | |
| Sale of subsidiaries | **0** | **46** [1] |
| **Actuarial gains/(losses)** | | |
| Amortization of recognized actuarial losses [2] | 31 | 44 |
| Tax expense/(benefit) | (9) | (16) |
| **Net of tax** | **22** | **28** |

[1] Includes net releases of CHF 46 million on the sale of JO Hambro. Upon settlement in 3Q13, further net releases of CHF 38 million were recognized. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total benefit costs. Refer to "Note 22 – Pension and other post-retirement benefits" for further information.

## 19 Offsetting of financial assets and financial liabilities

▸ Refer to "Note 20 – Offsetting of financial assets and financial liabilities" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 for further information.

### Offsetting of derivatives

| | | 6M14 | | 2013 |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 212.8 | 207.1 | 265.3 | 262.0 |
| OTC | 182.5 | 178.7 | 183.0 | 178.0 |
| Exchange-traded | 0.2 | 0.0 | 0.2 | 0.2 |
| **Interest rate products** | **395.5** | **385.8** | **448.5** | **440.2** |
| OTC | 41.7 | 53.7 | 58.4 | 68.2 |
| Exchange-traded | 0.1 | 0.1 | 0.1 | 0.2 |
| **Foreign exchange products** | **41.8** | **53.8** | **58.5** | **68.4** |
| OTC | 13.6 | 16.1 | 15.5 | 18.6 |
| Exchange-traded | 12.8 | 14.4 | 14.8 | 15.1 |
| **Equity/index-related products** | **26.4** | **30.5** | **30.3** | **33.7** |
| OTC-cleared | 6.4 | 5.9 | 5.2 | 5.1 |
| OTC | 18.6 | 19.8 | 20.8 | 21.2 |
| **Credit derivatives** | **25.0** | **25.7** | **26.0** | **26.3** |
| OTC | 3.9 | 2.7 | 4.4 | 4.1 |
| Exchange-traded | 0.3 | 0.7 | 0.7 | 0.6 |
| **Other products** | **4.2** | **3.4** | **5.1** | **4.7** |
| OTC-cleared | 219.2 | 213.0 | 270.5 | 267.1 |
| OTC | 260.3 | 271.0 | 282.1 | 290.1 |
| Exchange-traded | 13.4 | 15.2 | 15.8 | 16.1 |
| **Total gross derivatives subject to enforceable master netting agreements** | **492.9** | **499.2** | **568.4** | **573.3** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (216.2) | (212.8) | (269.1) | (267.0) |
| OTC | (239.8) | (247.9) | (260.6) | (265.6) |
| Exchange-traded | (13.1) | (13.6) | (15.1) | (15.1) |
| **Offsetting** | **(469.1)** | **(474.3)** | **(544.8)** | **(547.7)** |
| of which counterparty netting | (449.0) | (449.0) | (523.8) | (523.8) |
| of which cash collateral netting | (20.1) | (25.3) | (21.0) | (23.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 3.0 | 0.2 | 1.4 | 0.1 |
| OTC | 20.5 | 23.1 | 21.5 | 24.5 |
| Exchange-traded | 0.3 | 1.6 | 0.7 | 1.0 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.8** | **24.9** | **23.6** | **25.6** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **9.2** | **9.8** | **10.3** | **11.4** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.0** | **34.7** | **33.9** | **37.0** |
| of which recorded in trading assets and trading liabilities | 30.9 | 34.5 | 31.8 | 36.6 |
| of which recorded in other assets and other liabilities | 2.1 | 0.2 | 2.1 | 0.4 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| | | | 6M14 | | | 2013 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 113.6 | (32.4) | 81.2 | 112.0 | (25.1) | 86.9 |
| Securities borrowing transactions | 16.7 | 0.0 | 16.7 | 22.7 | (1.7) | 21.0 |
| **Total subject to enforceable master netting agreements** | **130.3** | **(32.4)** | **97.9** | **134.7** | **(26.8)** | **107.9** |
| **Total not subject to enforceable master netting agreements** [1] | **67.8** | **–** | **67.8** | **52.1** | **–** | **52.1** |
| **Total** | **198.1** | **(32.4)** | **165.7** [2] | **186.8** | **(26.8)** | **160.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 86,586 million and CHF 96,587 million of the total net amount as of June 30, 2014 and December 31, 2013, respectively, are reported at fair value.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 6M14 | | | 2013 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 82.8 | (32.4) | 50.4 | 86.5 | (26.8) | 59.7 |
| Securities lending transactions | 9.3 | 0.0 | 9.3 | 6.6 | 0.0 | 6.6 |
| Obligation to return securities received as collateral, at fair value | 17.3 | 0.0 | 17.3 | 18.5 | 0.0 | 18.5 |
| **Total subject to enforceable master netting agreements** | **109.4** | **(32.4)** | **77.0** | **111.6** | **(26.8)** | **84.8** |
| **Total not subject to enforceable master netting agreements** [1] | **32.7** | **–** | **32.7** | **32.0** | **–** | **32.0** |
| **Total** | **142.1** | **(32.4)** | **109.7** | **143.6** | **(26.8)** | **116.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.5 | (32.4) | 88.1 [2] | 120.8 | (26.8) | 94.0 [2] |
| of which obligation to return securities received as collateral, at fair value | 21.6 | 0.0 | 21.6 | 22.8 | 0.0 | 22.8 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 60,529 million and CHF 76,104 million of the total net amount as of June 30, 2014 and December 31, 2013, respectively, are reported at fair value.

### Amounts not offset in the consolidated balance sheets

| | 6M14 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.8 | 4.2 | 0.0 | 19.6 | 23.6 | 4.9 | 0.1 | 18.6 |
| Securities purchased under resale agreements | 81.2 | 81.2 | 0.0 | 0.0 | 86.9 | 86.9 | 0.0 | 0.0 |
| Securities borrowing transactions | 16.7 | 16.3 | 0.0 | 0.4 | 21.0 | 20.2 | 0.0 | 0.8 |
| **Total financial assets subject to enforceable master netting agreements** | **121.7** | **101.7** | **0.0** | **20.0** | **131.5** | **112.0** | **0.1** | **19.4** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 24.9 | 9.6 | 0.0 | 15.3 | 25.6 | 9.9 | 0.0 | 15.7 |
| Securities sold under repurchase agreements | 50.4 | 50.4 | 0.0 | 0.0 | 59.7 | 59.7 | 0.0 | 0.0 |
| Securities lending transactions | 9.3 | 9.1 | 0.0 | 0.2 | 6.6 | 6.2 | 0.0 | 0.4 |
| Obligation to return securities received as collateral, at fair value | 17.3 | 16.5 | 0.0 | 0.8 | 18.5 | 17.5 | 0.0 | 1.0 |
| **Total financial liabilities subject to enforceable master netting agreements** | **101.9** | **85.6** | **0.0** | **16.3** | **110.4** | **93.3** | **0.0** | **17.1** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 20 Tax

The effective tax rate of 72.3% in 6M14 mainly reflected the impact of the geographical mix of results, an income tax expense of CHF 151 million from a change in the New York state tax laws enacted in 6M14, the recognition of additional Swiss deferred tax assets relating to timing differences following certain changes in Swiss GAAP and the re-assessment of UK deferred tax assets resulting in a reduction of deferred tax assets on net operating losses. It also reflected that the majority of the litigation settlement charge of CHF 1,618 million was non-deductible. Overall, net deferred tax assets decreased CHF 621 million to CHF 5,478 million as of the end of 6M14 compared to 2013.

The presentation of income tax expense and deferred tax assets and liabilities is in accordance with Accounting Standards Codification Topic 740 – Income Taxes guidance to interim reporting.

The quarterly income tax expense includes the impact of the continuous re-assessment of the estimated annual effective tax rate as well as the impact of items that need to be recorded in the specific interim period in which they occur.

Net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities are presented in the following manner. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of June 30, 2014, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 6.2 billion which are considered indefinitely reinvested. The Bank would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Bank is currently subject to ongoing tax audits and inquiries with the tax authorities in a number of jurisdictions, including the US, the UK and Switzerland. Although the timing of the completion of these audits is uncertain, it is reasonably possible that some of these audits and inquiries will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 57 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2010; Brazil – 2009; Japan – 2009; the UK – 2006; the US – 2006; and the Netherlands – 2005.

### Effective tax rate

| in | 6M14 | 6M13 |
|---|---|---|
| **Effective tax rate (%)** | **72.3** | 27.7 |

### Tax expense reconciliation

| in | 6M14 |
|---|---|
| **CHF million** | |
| **Income tax expense computed at the statutory tax rate of 22%** | **244** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 366 |
| Changes in tax law and rates | 151 |
| Other non-deductible expenses | 443 |
| Changes in deferred tax valuation allowance | 513 |
| Lower taxed income | (34) |
| Income taxable to noncontrolling interests | (153) |
| Change in recognition of outside basis difference | (733) |
| Tax deductible impairments of Swiss subsidiary investments | (18) |
| Other | 23 |
| **Income tax expense** | **802** |

### Foreign tax rate differential

6M14 included a foreign tax expense of CHF 366 million in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US.

### Changes in tax law and rates

6M14 included a tax expense of CHF 151 million related to the change in New York state tax laws.

### Other non-deductible expenses

6M14 included the impact of CHF 328 million relating to the non-deductible amount of the litigation settlement charge, non-deductible interest expenses of CHF 79 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 32 million.

### Changes in deferred tax valuation allowance

6M14 included the impact of the increase of valuation allowances of CHF 113 million mainly in respect of three of the Bank's operating entities, two in Europe and one in Asia, related to estimated current year earnings. Additionally, it also included an increase in valuation allowance for previously recognized deferred tax assets in respect of a Bank operating entity in the UK of CHF 400 million.

### Lower taxed income

6M14 included a CHF 22 million income tax benefit related to non-taxable life insurance income and a tax benefit of CHF 12 million from non-taxable dividends.

### Change in recognition of outside basis difference

6M14 included a CHF 733 million income tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

### Other

6M14 included a tax charge of CHF 15 million relating to non-recoverable foreign taxes and a tax charge of CHF 5 million relating to the increase of tax contingency accruals.

### Net deferred tax assets

| end of | 6M14 | 2013 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 5,539 | 6,179 |
| of which net operating losses | 758 | 1,380 |
| of which deductible temporary differences | 4,781 | 4,799 |
| Deferred tax liabilities | (61) | (80) |
| **Net deferred tax assets** | **5,478** | **6,099** |

## 21 Employee deferred compensation

▸ Refer to "Note 22 – Employee deferred compensation" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and "Note 27 – Employee deferred compensation" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### Deferred compensation expense

| in | 6M14 | 6M13 |
|---|---|---|
| **Deferred compensation expense (CHF million)** | | |
| Share awards | 476 | 453 |
| Performance share awards | 328 | 326 |
| Contingent Capital Awards | 174 | – |
| Capital Opportunity Facility awards | 5 | – |
| Plus Bond awards [1] | 17 | 16 |
| 2011 Partner Asset Facility awards [2] | 10 | (30) |
| Adjustable Performance Plan share awards [3] | (2) | 21 |
| Adjustable Performance Plan cash awards [3] | (13) | (1) |
| Restricted Cash Awards | 47 | 91 |
| Scaled Incentive Share Units [3] | (3) | 23 |
| Incentive Share Units [4] | 0 | (2) |
| 2008 Partner Asset Facility awards [2] | 83 | 53 |
| Other cash awards | 221 | 234 |
| Discontinued operations | (9) | (6) |
| **Total deferred compensation expense** | **1,334** | **1,178** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 6M13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.
[3] Includes forfeitures and downward adjustments according to the plan terms and conditions.
[4] Includes forfeitures.

### Additional information

| end of | 6M14 |
|---|---|
| **Estimated unrecognized deferred compensation expense (CHF million)** | |
| Share awards | 1,190 |
| Performance share awards | 529 |
| Contingent Capital Awards | 275 |
| Capital Opportunity Facility awards | 6 |
| Plus Bond awards | 10 |
| Adjustable Performance Plan share awards | 4 |
| Adjustable Performance Plan cash awards | 5 |
| Restricted Cash Awards | 82 |
| Other cash awards | 210 |
| **Estimated unrecognized deferred compensation expense** | **2,311** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.2 |

### 6M14 activity

In 6M14, the Bank granted share awards, performance share awards and Contingent Capital Awards as part of the 2013 variable compensation. Expense recognition for these awards began in 6M14 and will continue over the remaining service or vesting period of each respective award.

### Share awards

In 6M14, the Bank granted 34.9 million shares at a weighted-average share price of CHF 27.84. Each share award granted entitles the holder of the award to receive one Group share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share award vests equally on each of the three anniversaries of the grant date. Included in the share awards granted in 6M14 are 2.7 million share awards with a fair value of CHF 66 million granted to certain employees in June 2014 for the 2014 performance year.

### Performance share awards

In 6M14, the Bank granted 24.0 million performance shares at a weighted-average share price of CHF 28.13. Each performance share award granted entitles the holder of the award to receive one Group share. The performance share award also vests over three years such that the performance share award vests equally on each of the three anniversaries of the grant date. Unlike the share award, however, the outstanding performance share award is subject to a negative adjustment in the event of a divisional loss or a negative return on equity of the Group.

### Contingent Capital Awards

In 6M14, the Bank awarded Contingent Capital Awards with a total value of CHF 391 million that will be expensed over a three-year period from the grant date.

### Share-based award activity

| Number of awards (in millions) | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards |
|---|---|---|---|---|---|
| | | | | | 6M14 |
| **Share-based award activity** | | | | | |
| **Balance at beginning of period** | **72.2** | **40.7** | **14.0** | **4.6** | **1.2** |
| Granted | 34.9 | 24.0 | 0.8 [1] | 0.0 | 0.0 |
| Settled | (27.6) | (15.7) | (7.3) | (4.4) | 0.0 |
| Forfeited | (1.7) | (0.3) | (0.2) | (0.1) | (0.5) |
| **Balance at end of period** | **77.8** | **48.7** | **7.3** | **0.1** | **0.7** |
| of which vested | 5.0 | 2.6 | 1.0 | 0.1 | 0.1 |
| of which unvested | 72.8 | 46.1 | 6.3 | 0.0 | 0.6 |

[1] Represents additional units earned in 6M14 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## 22 Pension and other post-retirement benefits

▸ Refer to "Note 23 – Pension and other post-retirement benefits" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and "Note 29 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

The Bank expects to contribute CHF 137 million to the international single-employer defined benefit pension plans and other post-retirement defined benefit plans in 2014. As of June 30, 2014, CHF 24 million of contributions had been made.

### Components of total benefit costs

| in | **6M14** | 6M13 |
|---|---|---|
| **Total benefit costs (CHF million)** | | |
| Service costs on benefit obligation | 11 | 14 |
| Interest costs on benefit obligation | 71 | 65 |
| Expected return on plan assets | (88) | (81) |
| Amortization of recognized actuarial losses | 31 | 44 |
| **Total benefit costs** | **25** | **42** |

## 23 Derivatives and hedging activities

▸ Refer to "Note 24 – Derivatives and hedging activities" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and to "Note 30 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Bank.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Bank elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 26 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| **end of 6M14** | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 11,635.4 | 4.4 | 4.8 | 0.0 | 0.0 | 0.0 |
| Swaps | 27,385.4 | 340.9 | 333.6 | 51.0 | 2.6 | 0.8 |
| Options bought and sold (OTC) | 3,705.9 | 48.8 | 48.4 | 0.0 | 0.0 | 0.0 |
| Futures | 1,287.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 688.8 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **44,702.7** | **394.3** | **386.9** | **51.0** | **2.6** | **0.8** |
| Forwards | 1,992.9 | 12.3 | 12.7 | 25.3 | 0.2 | 0.0 |
| Swaps | 1,409.6 | 22.9 | 35.0 | 0.0 | 0.0 | 0.1 |
| Options bought and sold (OTC) | 952.6 | 8.5 | 9.3 | 9.8 | 0.0 | 0.0 |
| Futures | 49.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 14.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,419.3** | **43.8** | **57.1** | **35.1** | **0.2** | **0.1** |
| Forwards | 4.3 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 263.4 | 5.1 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 242.3 | 10.4 | 10.0 | 0.0 | 0.0 | 0.0 |
| Futures | 56.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 430.3 | 14.5 | 15.9 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **997.2** | **30.7** | **33.9** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [2] | **1,356.4** | **25.7** | **26.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 20.2 | 0.6 | 0.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 48.1 | 2.7 | 2.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 34.0 | 0.9 | 0.8 | 0.0 | 0.0 | 0.0 |
| Futures | 30.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 51.8 | 0.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| **Other products** [3] | **184.8** | **4.8** | **3.9** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **51,660.4** | **499.3** | **508.1** | **86.1** | **2.8** | **0.9** |

The notional amount, PRV and NRV (trading and hedging) was CHF 51,746.5 billion, CHF 502.1 billion and CHF 509.0 billion, respectively, as of June 30, 2014.
[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 2013 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging [1] Notional amount | Hedging [1] Positive replacement value (PRV) | Hedging [1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,593.2 | 399.7 | 393.7 | 63.7 | 2.7 | 0.6 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,385.6** | **446.8** | **441.4** | **63.7** | **2.7** | **0.6** |
| Forwards | 2,098.6 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.2 | 28.8 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.7** | **61.2** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 8.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.7 | 12.4 | 12.1 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.6** | **35.5** | **37.4** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [3] | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.5 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.1 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products** [4] | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,332.0** | **575.7** | **584.0** | **103.6** | **3.0** | **0.7** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.6 billion, CHF 578.7 billion and CHF 584.7 billion, respectively, as of December 31, 2013.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Prior period amounts have been corrected to reclassify the notional amounts from other products to foreign exchange products.
[3] Primarily credit default swaps.
[4] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments

▸ Refer to "Note 19 – Offsetting of financial assets and financial liabilities" for further information on the offsetting of derivative instruments.

## Fair value hedges

| in | 6M14 | 6M13 |
|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | |
| Interest rate products | (254) | 274 |
| Foreign exchange products | 2 | (8) |
| **Total** | **(252)** | **266** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | |
| Interest rate products | 253 | (274) |
| Foreign exchange products | (2) | 8 |
| **Total** | **251** | **(266)** |
| **Details of fair value hedges (CHF million)** | | |
| Net gains/(losses) on the ineffective portion | (1) | 0 |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 6M14 | 6M13 |
|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | |
| Interest rate products | 27 | (20) |
| Foreign exchange products | 1 | 0 |
| **Total** | **28** | **(20)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | |
| Interest rate products [1] | 9 | 0 |
| Foreign exchange products [2] | 0 | 0 |
| **Total** | **9** | **0** |
| **Details of cash flow hedges (CHF million)** | | |
| Net gains on the ineffective portion [1] | (1) | 0 |

[1] Included in trading revenues.
[2] Included in other revenues.

As of the end of 6M14, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

The net loss associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income (AOCI) within the next 12 months was CHF 16 million.

## Net investment hedges

| in | 6M14 | 6M13 |
|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | |
| Foreign exchange products | 220 | (291) |
| Total | **220** | **(291)** |

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

‣ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| | | | | 6M14 | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.9 | 0.9 | 0.2 | **13.0** | 11.7 | 1.1 | 0.1 | **12.9** |
| Collateral posted | 11.0 | 0.9 | – | **11.9** | 10.6 | 1.2 | – | **11.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.6 | 0.0 | **1.2** | 0.6 | 0.8 | 0.0 | **1.4** |
| Additional collateral required in a two-notch downgrade event | 2.0 | 0.8 | 0.1 | **2.9** | 2.3 | 1.1 | 0.0 | **3.4** |

[1] Additional collateral required in a two-notch downgrade event has been corrected.

## Credit derivatives

‣ Refer to "Note 30 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information on credit derivatives.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 9.9 billion and CHF 7.4 billion as of the end of 6M14 and 2013, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| | 6M14 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (285.0) | 271.4 | (13.6) | 34.8 | 5.9 | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 |
| Non-investment grade | (102.2) | 98.5 | (3.7) | 14.8 | 3.2 | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 |
| **Total single-name instruments** | **(387.2)** | **369.9** | **(17.3)** | **49.6** | **9.1** | **(414.6)** [3] | **392.8** [3] | **(21.8)** | **48.2** [3] | **7.7** [3] |
| of which sovereign | (77.7) | 75.2 | (2.5) | 8.3 | 0.3 | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) |
| of which non-sovereign | (309.5) | 294.7 | (14.8) | 41.3 | 8.8 | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (182.6) | 178.4 | (4.2) | 42.8 | 2.9 | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 |
| Non-investment grade | (62.5) | 54.9 [4] | (7.6) | 11.3 | 0.8 | (65.0) | 59.0 [4] | (6.0) | 13.5 | 1.5 |
| **Total multi-name instruments** | **(245.1)** | **233.3** | **(11.8)** | **54.1** | **3.7** | **(284.1)** [3] | **271.1** [3] | **(13.0)** | **60.8** [3] | **4.8** [3] |
| of which sovereign | (6.0) | 11.4 | 5.4 | 1.1 | 0.2 | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 |
| of which non-sovereign | (239.1) | 221.9 | (17.2) | 53.0 | 3.5 | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (467.6) | 449.8 | (17.8) | 77.6 | 8.8 | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 |
| Non-investment grade | (164.7) | 153.4 | (11.3) | 26.1 | 4.0 | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 |
| **Total instruments** | **(632.3)** | **603.2** | **(29.1)** | **103.7** | **12.8** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** |
| of which sovereign | (83.7) | 86.6 | 2.9 | 9.4 | 0.5 | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) |
| of which non-sovereign | (548.6) | 516.6 | (32.0) | 94.3 | 12.3 | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Credit protection instruments have been corrected to reclassify certain single-name instruments to multi-name instruments.
4 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | 6M14 | 2013 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 632.3 | 698.7 |
| Credit protection purchased | 603.2 | 663.9 |
| Other protection purchased | 103.7 | 109.0 |
| Other instruments [1] | 17.2 | 11.7 |
| **Total credit derivatives** | **1,356.4** | **1,483.3** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **6M14 (CHF billion)** | | | | |
| Single-name instruments | 82.7 | 258.2 | 46.3 | 387.2 |
| Multi-name instruments | 31.5 | 153.6 | 60.0 | 245.1 |
| **Total instruments** | **114.2** | **411.8** | **106.3** | **632.3** |
| **2013 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |

## 24 Guarantees and commitments

▸ Refer to "Note 25 – Guarantees and commitments" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and to "Note 31 – Guarantees and commitments" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **6M14 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,684 | 1,461 | 4,145 | 3,954 | 11 | 2,211 |
| Performance guarantees and similar instruments | 4,933 | 2,335 | 7,268 | 6,416 | 60 | 3,034 |
| Securities lending indemnifications | 11,968 | 0 | 11,968 | 11,968 | 0 | 11,968 |
| Derivatives [2] | 21,972 | 9,010 | 30,982 | 30,982 | 664 | – [3] |
| Other guarantees | 3,195 | 1,224 | 4,419 | 4,407 | 38 | 2,428 |
| **Total guarantees** | **44,752** | **14,030** | **58,782** | **57,727** | **773** | **19,641** |
| **2013 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments [4] | 2,682 | 1,526 | 4,208 | 4,060 | 14 | 2,330 |
| Performance guarantees and similar instruments [4] | 4,819 | 3,049 | 7,868 | 6,946 | 103 | 3,277 |
| Securities lending indemnifications | 11,479 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 13,403 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 3,894 | 1,197 | 5,091 | 5,068 | 3 | 2,606 |
| **Total guarantees** | **41,121** | **19,175** | **60,296** | **59,203** | **835** | **19,692** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not considered significant.
[4] Prior period has been corrected.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by Swiss Financial Market Supervisory Authority FINMA (FINMA) or by compulsory liquidation of another deposit taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank's banking subsidiaries in Switzerland, the Bank's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 was CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees. For the period July 1, 2014 to June 30, 2015, the Bank's share in this deposit insurance guarantee program based on FINMA's estimate will be unchanged at CHF 0.5 billion.

#### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

With respect to its outstanding repurchase claims, the Bank is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to June 30, 2014 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims and provisions for outstanding repurchase claims in 6M14 and 6M13, including realized losses from the repurchase of residential mortgage loans sold.

## Residential mortgage loans sold

| Residential mortgage loans sold from January 1, 2004 to June 30, 2014 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 24.0 |
| Non-agency securitizations | 134.5 [2] |
| **Total** | **166.7** |

[1] Primarily banks.
[2] The outstanding balance of residential mortgage loans as of June 30, 2014 was USD 25.3 billion. The difference of the total balance of mortgage loans sold and the outstanding balance as of June 30, 2014 is attributable to borrower payments of USD 90.1 billion and losses of USD 19.1 billion due to loan defaults.

## Residential mortgage loans sold – outstanding repurchase claims

| | | | | **6M14** | | | | 6M13 |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | **Total** | Government-sponsored enterprises | Private investors | Non-agency securitizations | **Total** |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |
| New claims | 9 | 1 | 320 | 330 | 36 | 115 | 489 | 640 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 | (4) | 0 | (2) | (6) [1] |
| Other settlements | (4) | (416) | (5) | (425) [2] | (8) | (155) | (7) | (170) [2] |
| Total claims settled | (4) | (416) | (5) | (425) | (12) | (155) | (9) | (176) |
| Claims rescinded | (15) | 0 | 0 | (15) | (10) | (4) | 0 | (14) |
| Transfers to arbitration and litigation, net [3] | 0 | (2) | (315) | (317) | 0 | 0 | (681) | (681) |
| **Balance at end of period** | **67** | **3** | **83** | **153** | **81** | **420** | **1,194** | **1,695** |

[1] Settled at a repurchased price of USD 6 million.
[2] Settled at USD 66 million and USD 25 million in 6M14 and 6M13, respectively.
[3] Refer to "Note 28 – Litigation" for repurchase claims that are in arbitration or litigation.

## Provisions for outstanding repurchase claims

| | **6M14** | 6M13 |
|---|---|---|
| **Provisions for outstanding repurchase claims (USD million) [1]** | | |
| **Balance at beginning of period** | **146** | **55** |
| Increase/(decrease) in provisions, net | (20) | 74 |
| Realized losses [2] | (66) [3] | (31) |
| **Balance at end of period [4]** | **60** | **98** |

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 28 – Litigation" for further information.
[2] Includes indemnifications paid to resolve loan repurchase claims.
[3] Primarily related to private investors.
[4] Primarily related to government-sponsored enterprises.

## Other commitments

| end of | 6M14<br>Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | 2013<br>Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|---|---|---|
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 4,605 | 28 | 4,633 | 4,476 | 2,725 | 5,478 | 28 | 5,506 | 5,446 | 3,380 |
| Irrevocable loan commitments | 37,941 | 70,511 | 108,452 [2] | 104,569 | 52,451 | 27,154 | 69,661 | 96,815 [2] | 92,557 | 47,995 |
| Forward reverse repurchase agreements | 28,969 | – | 28,969 | 28,969 | 28,969 | 26,893 | – | 26,893 | 26,893 | 26,893 |
| Other commitments | 3,925 | 1,305 | 5,230 | 5,230 | 2,679 | 2,436 | 1,409 | 3,845 | 3,845 | 351 |
| **Total other commitments** | **75,440** | **71,844** | **147,284** | **143,244** | **86,824** | **61,961** | **71,098** | **133,059** | **128,741** | **78,619** |

1 Total net amount is computed as the gross amount less any participations.
2 Irrevocable loan commitments do not include a total gross amount of CHF 92,257 million and CHF 87,161 million of unused credit limits as of the end of 6M14 and 2013, respectively, which were revocable at the Bank's sole discretion upon notice to the client. The prior period has been adjusted to the current presentation.

## 25 Transfers of financial assets and variable interest entities

‣ Refer to "Note 26 – Transfers of financial assets and variable interest entities in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial report 2Q14 and "Note 32 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The following table provides the gains or losses and proceeds from the transfer of assets relating to 6M14 and 6M13 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

#### Securitizations

| in | 6M14 | 6M13 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 3 | 1 |
| Proceeds from transfer of assets | 1,581 | 3,631 |
| Servicing fees | 0 | 0 |
| Cash received on interests that continue to be held | 53 | 32 |
| **RMBS** | | |
| Net gain/(loss) [1] | 14 | 2 |
| Proceeds from transfer of assets | 10,842 | 14,257 |
| Purchases of previously transferred financial assets or its underlying collateral | (4) | (8) |
| Servicing fees | 1 | 2 |
| Cash received on interests that continue to be held | 206 | 275 |
| **Other asset-backed financings** | | |
| Net gain [1] | 15 | 7 |
| Proceeds from transfer of assets | 964 | 553 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | (65) |
| Cash received on interests that continue to be held | 4 | 329 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

#### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of June 30, 2014 and December 31, 2013, regardless of when the transfer of assets occurred.

#### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 6M14 | 2013 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 36,855 | 37,308 |
| Total assets of SPE | 47,837 | 48,715 |
| **RMBS** | | |
| Principal amount outstanding | 45,774 | 45,571 |
| Total assets of SPE | 47,591 | 48,741 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 23,632 | 27,854 |
| Total assets of SPE | 23,632 | 27,854 |

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

#### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 27 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | | **6M14** | | 6M13 |
|---|---|---|---|---|
| at time of transfer, in | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 566 | 1,865 | 158 | 1,963 |
| of which level 2 | 501 | 1,720 | 141 | 1,922 |
| of which level 3 | 65 | 145 | 17 | 41 |
| Weighted-average life, in years | 3.6 | 4.6 | 8.9 | 7.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 1.5–23.0 | – [2] | 6.3–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.0–11.0 | 2.0–17.0 | 1.6–8.2 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 1.0–2.0 | 2.6–14.0 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following tables provide the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of June 30, 2013 and December 31, 2012.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | 6M14 | | | 2013 | | |
|---|---|---|---|---|---|---|
| end of | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,297 | 2,761 | 204 | 1,132 | 2,354 | 284 |
| of which non-investment grade | 8 | 350 | 157 | 26 | 359 | 204 |
| Weighted-average life, in years | 5.4 | 8.5 | 4.7 | 6.5 | 8.6 | 3.7 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.3–35.0 | – | – | 1.0–23.5 | – |
| Impact on fair value from 10% adverse change | – | (31.0) | – | – | (26.6) | – |
| Impact on fair value from 20% adverse change | – | (61.0) | – | – | (48.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.4–24.4 | 1.8–39.6 | 0.2–21.2 | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 |
| Impact on fair value from 10% adverse change | (20.7) | (57.3) | (2.8) | (25.5) | (65.0) | (2.4) |
| Impact on fair value from 20% adverse change | (40.6) | (111.5) | (5.5) | (50.0) | (124.9) | (4.9) |
| Expected credit losses (rate per annum), in % | 0.9–23.6 | 1.3–38.4 | 1.1–9.7 | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 |
| Impact on fair value from 10% adverse change | (9.8) | (34.3) | (0.9) | (10.9) | (42.2) | (0.4) |
| Impact on fair value from 20% adverse change | (19.6) | (67.3) | (1.7) | (21.5) | (79.6) | (0.7) |

1 To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
2 CDOs within this category are generally structured to be protected from prepayment risk.
3 Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
4 The rate was based on the weighted-average yield on the beneficial interests.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of June 30, 2014 and December 31, 2013.

▸ Refer to "Note 27 – Assets pledged and collateral" for information on assets pledged or assigned.

### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 6M14 | 2013 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 244 | 432 |
| Liability to SPE, included in Other liabilities | (244) | (432) |
| **Other asset-backed financings** | | |
| Trading assets | 165 | 216 |
| Other assets | 162 | 157 |
| Liability to SPE, included in Other liabilities | (327) | (373) |

## VARIABLE INTEREST ENTITIES

### Consolidated VIEs

The consolidated variable interest entities (VIEs) tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of June 30, 2014 and December 31, 2013.

### Consolidated VIEs in which the Bank was the primary beneficiary

| | | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi- tizations | Funds | Loans | Other | **Total** |
| **6M14 (CHF million)** | | | | | | | |
| Cash and due from banks | 619 | 0 | 50 | 113 | 100 | 34 | 916 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,224 | 0 | 0 | 0 | 0 | 1,224 |
| Trading assets | 768 | 51 | 0 | 1,507 | 731 | 382 | 3,439 |
| Investment securities | 0 | 59 | 0 | 0 | 0 | 0 | 59 |
| Other investments | 0 | 0 | 0 | 46 | 1,489 | 393 | 1,928 |
| Net loans | 0 | 579 | 876 | 0 | 18 | 535 | 2,008 |
| Premises and equipment | 0 | 0 | 0 | 0 | 392 | 72 | 464 |
| Other assets | 6,881 | 1,639 | 3,424 | 3 | 227 | 1,639 | 13,813 |
| of which loans held-for-sale | 6,843 | 0 | 2,245 | 0 | 54 | 0 | 9,142 |
| **Total assets of consolidated VIEs** | **8,268** | **3,552** | **4,350** | **1,669** | **2,957** | **3,055** | **23,851** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 269 | 269 |
| Trading liabilities | 6 | 0 | 0 | 0 | 7 | 3 | 16 |
| Short-term borrowings | 0 | 8,733 | 0 | 0 | 0 | 0 | 8,733 |
| Long-term debt | 8,260 | 21 | 2,796 | 327 | 87 | 366 | 11,857 |
| Other liabilities | 24 | 40 | 196 | 19 | 153 | 426 | 858 |
| **Total liabilities of consolidated VIEs** | **8,290** | **8,794** | **2,992** | **346** | **247** | **1,064** | **21,733** |
| **2013 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 415 | 66 | 481 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 307 | 1,680 | 14,329 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,744** | **3,164** | **27,621** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 152 | 439 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **253** | **1,228** | **18,346** |

### Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

### Non-consolidated VIEs

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi- tizations | Funds | Loans | Other | **Total** |
| **6M14 (CHF million)** | | | | | | |
| Trading assets | 141 | 5,071 | 1,322 | 575 | 613 | 7,722 |
| Net loans | 174 | 717 | 2,758 | 1,682 | 1,128 | 6,459 |
| Other assets | 0 | 4 | 30 | 0 | 187 | 221 |
| **Total variable interest assets** | **315** | **5,792** | **4,110** | **2,257** | **1,928** | **14,402** |
| **Maximum exposure to loss** | **1,417** | **9,674** | **4,273** | **6,284** | **2,017** | **23,665** |
| **Non-consolidated VIE assets** | **9,140** | **96,746** | **64,524** | **27,684** | **8,141** | **206,235** |
| **2013 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,712 | 2,856 | 1,282 | 7,465 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,738** | **3,581** | **2,001** | **15,038** |
| **Maximum exposure to loss** | **186** | **7,496** | **3,926** | **7,433** | **2,090** | **21,131** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **8,525** | **206,913** |

## 26 Financial instruments

▸ Refer to "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and to "Note 33 – Financial instruments" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

## Assets and liabilities measured at fair value on a recurring basis

| end of 6M14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 724 | 0 | 0 | 724 |
| Interest-bearing deposits with banks | 0 | 309 | 0 | 0 | 309 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 86,517 | 69 | 0 | 86,586 |
| Debt | 177 | 698 | 0 | 0 | 875 |
| of which corporates | 0 | 655 | 0 | 0 | 655 |
| Equity | 20,704 | 32 | 0 | 0 | 20,736 |
| Securities received as collateral | 20,881 | 730 | 0 | 0 | 21,611 |
| Debt | 39,520 | 60,960 | 4,600 | 0 | 105,080 |
| of which foreign governments | 38,953 | 5,224 | 305 | 0 | 44,482 |
| of which corporates | 69 | 24,522 | 1,774 | 0 | 26,365 |
| of which RMBS | 0 | 23,794 | 548 | 0 | 24,342 |
| of which CMBS | 0 | 5,122 | 334 | 0 | 5,456 |
| of which CDO | 0 | 2,232 | 1,369 | 0 | 3,601 |
| Equity | 81,567 | 6,100 | 674 | 0 | 88,341 |
| Derivatives | 8,808 | 485,238 | 5,125 | (468,228) | 30,943 |
| of which interest rate products | 2,165 | 390,381 | 1,713 | – | – |
| of which foreign exchange products | 210 | 43,163 | 390 | – | – |
| of which equity/index-related products | 6,138 | 23,641 | 932 | – | – |
| of which credit derivatives | 0 | 24,587 | 1,097 | – | – |
| Other | 2,972 | 5,218 | 3,082 | 0 | 11,272 |
| Trading assets | 132,867 | 557,516 | 13,481 | (468,228) | 235,636 |
| Debt | 1,583 | 339 | 0 | 0 | 1,922 |
| of which foreign governments | 1,584 | 0 | 0 | 0 | 1,584 |
| of which corporates | 0 | 279 | 0 | 0 | 279 |
| of which CDO | 0 | 59 | 0 | 0 | 59 |
| Equity | 1 | 102 | 3 | 0 | 106 |
| Investment securities | 1,584 | 441 | 3 | 0 | 2,028 |
| Private equity | 0 | 0 | 1,239 | 0 | 1,239 |
| of which equity funds | 0 | 0 | 567 | 0 | 567 |
| Hedge funds | 0 | 159 | 323 | 0 | 482 |
| of which debt funds | 0 | 119 | 312 | 0 | 431 |
| Other equity investments | 84 | 110 | 1,723 | 0 | 1,917 |
| of which private | 0 | 82 | 1,723 | 0 | 1,805 |
| Life finance instruments | 0 | 0 | 1,605 | 0 | 1,605 |
| Other investments | 84 | 269 | 4,890 | 0 | 5,243 |
| Loans | 0 | 11,299 | 8,598 | 0 | 19,897 |
| of which commercial and industrial loans | 0 | 5,521 | 5,699 | 0 | 11,220 |
| of which financial institutions | 0 | 4,842 | 1,572 | 0 | 6,414 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 66 | 0 | 66 |
| Other assets | 4,102 | 21,980 | 5,923 | (733) | 31,272 |
| of which loans held-for-sale | 0 | 13,300 | 5,242 | 0 | 18,542 |
| **Total assets at fair value** | **159,518** | **679,785** | **33,030** | **(468,961)** | **403,372** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (80) | (132) | (752) | 0 | (964) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (7,862) | (2,079) | 0 | (9,941) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **159,438** | **671,791** | **30,199** | **(468,961)** | **392,467** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 6M14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,008 | 0 | 0 | 1,008 |
| Customer deposits | 0 | 3,132 | 87 | 0 | 3,219 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 60,529 | 0 | 0 | 60,529 |
| Debt | 177 | 698 | 0 | 0 | 875 |
| of which corporates | 0 | 655 | 0 | 0 | 655 |
| Equity | 20,704 | 32 | 0 | 0 | 20,736 |
| Obligation to return securities received as collateral | 20,881 | 730 | 0 | 0 | 21,611 |
| Debt | 17,778 | 4,744 | 0 | 0 | 22,522 |
| of which foreign governments | 17,616 | 407 | 0 | 0 | 18,023 |
| of which corporates | 9 | 3,893 | 0 | 0 | 3,902 |
| Equity | 17,758 | 310 | 19 | 0 | 18,087 |
| Derivatives | 8,959 | 494,264 | 4,896 | (473,603) | 34,516 |
| of which interest rate products | 2,207 | 383,514 | 1,185 | – | – |
| of which foreign exchange products | 232 | 56,149 | 696 | – | – |
| of which equity/index-related products | 6,201 | 26,397 | 1,265 | – | – |
| of which credit derivatives | 0 | 25,055 | 1,291 | – | – |
| Trading liabilities | 44,495 | 499,318 | 4,915 | (473,603) | 75,125 |
| Short-term borrowings | 0 | 7,031 | 101 | 0 | 7,132 |
| Long-term debt | 3 | 58,422 | 10,313 | 0 | 68,738 |
| of which treasury debt over two years | 0 | 8,134 | 0 | 0 | 8,134 |
| of which structured notes over two years | 0 | 26,120 | 7,374 | 0 | 33,494 |
| of which non-recourse liabilities | 3 | 8,898 | 2,028 | 0 | 10,929 |
| Other liabilities | 0 | 17,303 | 3,321 | (619) | 20,005 |
| of which failed sales | 0 | 479 | 727 | 0 | 1,206 |
| **Total liabilities at fair value** | **65,379** | **647,473** | **18,737** | **(474,222)** | **257,367** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,217 | 5,069 | 0 | 110,115 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,267 | 2,128 | 0 | 26,409 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,463 | 5,777 | 595 | 0 | 76,835 |
| Derivatives | 6,610 | 563,882 | 5,217 | (543,922) | 31,787 |
| of which interest rate products | 1,065 | 444,187 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,732 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,941 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,690 | 4,480 | 2,829 | 0 | 10,999 |
| Trading assets | 122,592 | 637,356 | 13,710 | (543,922) | 229,736 |
| Debt | 1,164 | 362 | 0 | 0 | 1,526 |
| of which foreign governments | 1,162 | 2 | 0 | 0 | 1,164 |
| of which corporates | 0 | 262 | 0 | 0 | 262 |
| of which CDO | 0 | 100 | 0 | 0 | 100 |
| Equity | 1 | 98 | 2 | 0 | 101 |
| Investment securities | 1,165 | 460 | 2 | 0 | 1,627 |
| Private equity | 0 | 0 | 3,339 | 0 | 3,339 |
| of which equity funds | 0 | 0 | 2,230 | 0 | 2,230 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,631 | 0 | 1,646 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,963 | 0 | 7,590 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,426 | 6,159 | (928) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **149,999** | **769,968** | **35,078** | **(544,850)** | **410,195** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **149,753** | **760,823** | **29,839** | **(544,850)** | **395,565** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,460 | 0 | 0 | 1,460 |
| Customer deposits | 0 | 3,186 | 55 | 0 | 3,241 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,312 | 2 | 0 | 24,351 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,132 | 2 | 0 | 4,135 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,717 | 5,545 | (547,482) | 36,659 |
| of which interest rate products | 896 | 439,502 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,588 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,800 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,338 | 5,564 | (547,482) | 76,812 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 52,073 | 9,780 | 0 | 61,853 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,680 | 6,217 | 0 | 26,897 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,386 | 2,859 | (274) | 21,971 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **738,023** | **18,537** | **(547,756)** | **270,294** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Transfers between level 1 and level 2

| | **6M14** | | 6M13 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 400 | 11 | 471 | 85 |
| Equity | 409 | 78 | 422 | 171 |
| Derivatives | 4,693 | 1 | 4,093 | 1 |
| **Trading assets** | **5,502** | **90** | **4,986** | **257** |
| **Liabilities (CHF million)** | | | | |
| Debt | 312 | 0 | 6 | 17 |
| Equity | 129 | 81 | 250 | 17 |
| Derivatives | 4,746 | 19 | 3,536 | 9 |
| **Trading liabilities** | **5,187** | **100** | **3,792** | **43** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 6M14 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (135) | 0 |
| Debt | 5,069 | 518 | (1,261) | 3,644 |
| of which corporates | 2,128 | 135 | (487) | 837 |
| of which RMBS | 436 | 309 | (252) | 430 |
| of which CMBS | 417 | 44 | (181) | 172 |
| of which CDO | 1,567 | 17 | (130) | 1,950 |
| Equity | 595 | 117 | (231) | 303 |
| Derivatives | 5,217 | 368 | (266) | 0 |
| of which interest rate products | 1,574 | 31 | (12) | 0 |
| of which equity/index-related products | 1,240 | 24 | (123) | 0 |
| of which credit derivatives | 1,138 | 251 | (124) | 0 |
| Other | 2,829 | 279 | (449) | 1,372 |
| Trading assets | 13,710 | 1,282 | (2,207) | 5,319 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,363 | 0 | (14) | 447 |
| Life finance instruments | 1,600 | 0 | 0 | 100 |
| Other investments | 6,963 | 0 | (14) | 547 |
| Loans | 7,998 | 109 | (366) | 172 |
| of which commercial and industrial loans | 5,309 | 107 | (276) | 161 |
| of which financial institutions | 1,322 | 2 | (17) | 11 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 26 |
| Other assets | 6,159 | 1,428 | (1,561) | 2,407 |
| of which loans held-for-sale [2] | 5,615 | 1,427 | (1,544) | 2,159 |
| **Total assets at fair value** | **35,078** | **2,819** | **(4,283)** | **8,471** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (114) | 0 |
| Trading liabilities | 5,564 | 519 | (754) | 22 |
| of which interest rate derivatives | 1,129 | 36 | (6) | 0 |
| of which foreign exchange derivatives | 938 | 0 | (2) | 0 |
| of which equity/index-related derivatives | 1,896 | 190 | (589) | 0 |
| of which credit derivatives | 1,230 | 266 | (152) | 0 |
| Short-term borrowings | 165 | 13 | (35) | 0 |
| Long-term debt | 9,780 | 605 | (1,840) | 0 |
| of which structured notes over two years | 6,217 | 220 | (971) | 0 |
| of which non-recourse liabilities | 2,552 | 378 | (583) | 0 |
| Other liabilities | 2,859 | 79 | (93) | 262 |
| of which failed sales | 1,143 | 65 | (42) | 78 |
| **Total liabilities at fair value** | **18,537** | **1,216** | **(2,836)** | **284** |
| **Net assets/(liabilities) at fair value** | **16,541** | **1,603** | **(1,447)** | **8,187** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized gains recorded in trading revenues of CHF 20 million primarily related to subprime exposures in securitized business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 69 |
| (3,747) | 0 | 0 | (44) | 410 | 0 | 0 | 11 | 4,600 |
| (1,062) | 0 | 0 | (59) | 272 | 0 | 0 | 10 | 1,774 |
| (439) | 0 | 0 | 12 | 55 | 0 | 0 | (3) | 548 |
| (102) | 0 | 0 | 1 | (15) | 0 | 0 | (2) | 334 |
| (2,097) | 0 | 0 | (1) | 68 | 0 | 0 | (5) | 1,369 |
| (266) | 0 | 0 | 42 | 118 | 0 | 0 | (4) | 674 |
| 0 | 1,542 | (2,134) | 19 | 384 | 0 | 0 | (5) | 5,125 |
| 0 | 92 | (361) | 5 | 381 | 0 | 0 | 3 | 1,713 |
| 0 | 192 | (257) | 14 | (157) | 0 | 0 | (1) | 932 |
| 0 | 314 | (504) | (3) | 28 | 0 | 0 | (3) | 1,097 |
| (1,085) | 0 | (122) | 6 | 259 | 0 | 0 | (7) | 3,082 |
| (5,098) | 1,542 | (2,256) | 23 | 1,171 | 0 | 0 | (5) | 13,481 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 |
| (3,000) | 0 | 0 | 0 | 33 | 0 | 443 | 13 | 3,285 |
| (154) | 0 | 0 | 0 | 65 | 0 | 0 | (6) | 1,605 |
| (3,154) | 0 | 0 | 0 | 98 | 0 | 443 | 7 | 4,890 |
| (912) | 2,516 | (896) | 1 | 4 | 0 | 2 | (30) | 8,598 |
| (628) | 1,799 | (758) | 1 | 5 | 0 | 0 | (21) | 5,699 |
| (81) | 429 | (98) | 0 | 3 | 0 | 4 | (3) | 1,572 |
| 0 | 0 | 0 | 0 | 0 | 0 | (2) | 0 | 66 |
| (2,181) | 347 | (827) | 19 | 127 | 0 | (1) | 6 | 5,923 |
| (2,118) | 346 | (828) | 25 | 152 | 0 | (1) | 9 | 5,242 |
| **(11,345)** | **4,405** | **(3,979)** | **43** | **1,400** | **0** | **442** | **(21)** | **33,030** |
| | | | | | | | | |
| 0 | 25 | 0 | 0 | 2 | 0 | 0 | 5 | 87 |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (18) | 838 | (1,766) | 214 | 307 | 0 | 0 | (11) | 4,915 |
| 0 | 42 | (234) | 4 | 216 | 0 | 0 | (2) | 1,185 |
| 0 | 3 | (144) | (4) | (94) | 0 | 0 | (1) | 696 |
| 0 | 402 | (691) | 209 | (147) | 0 | 0 | (5) | 1,265 |
| 0 | 206 | (542) | 7 | 279 | 0 | 0 | (3) | 1,291 |
| 0 | 249 | (294) | (1) | 2 | 0 | 0 | 2 | 101 |
| 0 | 3,386 | (1,885) | 11 | 300 | 0 | 0 | (44) | 10,313 |
| 0 | 2,493 | (778) | 8 | 217 | 0 | 0 | (32) | 7,374 |
| 0 | 330 | (673) | 16 | 14 | 0 | 0 | (6) | 2,028 |
| (630) | 632 | (170) | 14 | 94 | 4 | 267 | 3 | 3,321 |
| (560) | 0 | 0 | 0 | 47 | 0 | (2) | (2) | 727 |
| **(648)** | **5,130** | **(4,115)** | **238** | **705** | **4** | **267** | **(45)** | **18,737** |
| **(10,697)** | **(725)** | **136** | **(195)** | **695** | **(4)** | **175** | **24** | **14,293** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 6M13 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Debt | 5,830 | 465 | (979) | 3,291 |
| of which corporates | 3,192 | 146 | (483) | 1,009 |
| of which RMBS | 724 | 257 | (292) | 758 |
| of which CMBS | 1,023 | 26 | (100) | 129 |
| of which CDO | 447 | 14 | (39) | 1,384 |
| Equity | 485 | 190 | (173) | 139 |
| Derivatives | 6,650 | 916 | (897) | 0 |
| of which interest rate products | 1,859 | 42 | (198) | 0 |
| of which equity/index-related products | 1,920 | 149 | (258) | 0 |
| of which credit derivatives | 1,294 | 721 | (262) | 0 |
| Other | 2,486 | 165 | (224) | 2,727 |
| Trading assets | 15,451 | 1,736 | (2,273) | 6,157 |
| Investment securities | 170 | 0 | 0 | 166 |
| Equity | 6,264 | 0 | (40) | 479 |
| Life finance instruments | 1,818 | 0 | 0 | 100 |
| Other investments | 8,082 | 0 | (40) | 579 |
| Loans | 6,619 | 93 | (1,644) | 368 |
| of which commercial and industrial loans | 4,778 | 81 | (322) | 368 |
| of which financial institutions | 1,530 | 11 | (2) | 1 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 0 |
| Other assets | 5,164 | 1,551 | (1,556) | 2,673 |
| of which loans held-for-sale | 4,463 | 1,540 | (1,554) | 2,494 |
| **Total assets at fair value** | **35,529** | **3,380** | **(5,513)** | **9,943** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,024 | (814) | 53 |
| of which interest rate derivatives | 1,357 | 59 | (132) | 0 |
| of which foreign exchange derivatives | 1,648 | 15 | (14) | 0 |
| of which equity/index-related derivatives | 1,003 | 111 | (302) | 0 |
| of which credit derivatives | 819 | 808 | (267) | 0 |
| Short-term borrowings | 124 | 46 | (34) | 0 |
| Long-term debt | 10,098 | 1,728 | (1,209) | 0 |
| of which structured notes over two years | 6,189 | 321 | (893) | 0 |
| of which non-recourse liabilities | 2,551 | 1,369 | (196) | 0 |
| Other liabilities | 2,847 | 31 | (131) | 62 |
| of which failed sales | 1,160 | 12 | (77) | 45 |
| **Total liabilities at fair value** | **18,450** | **2,829** | **(2,188)** | **115** |
| **Net assets/(liabilities) at fair value** | **17,079** | **551** | **(3,325)** | **9,828** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| (4,545) | 0 | 0 | 130 | 150 | 0 | 0 | 169 | 4,511 |
| (2,020) | 0 | 0 | 113 | 9 | 0 | 0 | 91 | 2,057 |
| (638) | 0 | 0 | 6 | 64 | 0 | 0 | 27 | 906 |
| (821) | 0 | 0 | (3) | 33 | 0 | 0 | 19 | 306 |
| (1,008) | 0 | 0 | 2 | 45 | 0 | 0 | 20 | 865 |
| (236) | 0 | 0 | 6 | (2) | 0 | 0 | 14 | 423 |
| 0 | 721 | (1,004) | 96 | (97) | 0 | 0 | 194 | 6,579 |
| 0 | 164 | (198) | 2 | (161) | 0 | 0 | 50 | 1,560 |
| 0 | 116 | (225) | 62 | 250 | 0 | 0 | 62 | 2,076 |
| 0 | 111 | (302) | 33 | (9) | 0 | 0 | 41 | 1,627 |
| (2,133) | 0 | (65) | 1 | (46) | 0 | 0 | 89 | 3,000 |
| (6,914) | 721 | (1,069) | 233 | 5 | 0 | 0 | 466 | 14,513 |
| (17) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 319 |
| (1,058) | 0 | 0 | 0 | (2) | 0 | 279 | 194 | 6,116 |
| (186) | 0 | 0 | 0 | (80) | 0 | 0 | 61 | 1,713 |
| (1,244) | 0 | 0 | 0 | (82) | 0 | 279 | 255 | 7,829 |
| (834) | 3,593 | (1,193) | (1) | (81) | 0 | 0 | 229 | 7,149 |
| (595) | 1,346 | (780) | 0 | (126) | 0 | 0 | 149 | 4,899 |
| (119) | 240 | (363) | 0 | (49) | 0 | 0 | 49 | 1,298 |
| 0 | 0 | 0 | 0 | 0 | 0 | (6) | 2 | 39 |
| (1,707) | 700 | (501) | 16 | 133 | 0 | 0 | 158 | 6,631 |
| (1,538) | 700 | (501) | 15 | 92 | 0 | 0 | 131 | 5,842 |
| **(10,716)** | **5,014** | **(2,763)** | **248** | **(25)** | **0** | **273** | **1,110** | **36,480** |
| | | | | | | | | |
| 0 | 53 | 0 | 0 | (13) | 0 | 0 | (3) | 62 |
| (155) | 489 | (1,125) | 124 | 252 | 0 | 0 | 165 | 5,369 |
| 0 | 82 | (43) | 3 | (269) | 0 | 0 | 38 | 1,095 |
| 0 | 13 | (472) | (1) | 73 | 0 | 0 | 50 | 1,312 |
| 0 | 275 | (308) | 90 | 341 | 0 | 0 | 34 | 1,244 |
| 0 | 71 | (226) | 40 | 89 | 0 | 0 | 27 | 1,361 |
| 0 | 203 | (86) | (4) | (61) | 0 | 0 | 5 | 193 |
| 0 | 2,818 | (2,787) | 16 | (51) | 0 | 0 | 347 | 10,960 |
| 0 | 1,966 | (1,160) | 12 | (352) | 0 | 0 | 223 | 6,306 |
| 0 | 438 | (1,274) | 10 | 114 | 0 | 0 | 76 | 3,088 |
| (280) | 1 | (58) | (16) | (18) | 26 | 135 | 77 | 2,676 |
| (230) | 0 | 0 | (4) | (8) | 0 | 0 | 38 | 936 |
| **(435)** | **3,564** | **(4,056)** | **120** | **109** | **26** | **135** | **591** | **19,260** |
| **(10,281)** | **1,450** | **1,293** | **128** | **(134)** | **(26)** | **138** | **519** | **17,220** |

## Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

| | | | **6M14** | | | 6M13 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 500 | 171 | **671** [1] | (6) | 112 | **106** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (528) | 84 | **(444)** | (1,079) | 74 | **(1,005)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

## Quantitative information about level 3 assets at fair value

| end of 6M14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 69 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,600 | | | | | |
| of which corporates | 1,774 | | | | | |
| of which | 122 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Buyback probability, in % [2] | 50 | 100 | 59 |
| of which | 427 | Market comparable | Price, in % | 0 | 135 | 89 |
| of which | 1,125 | Discounted cash flow | Credit spread, in bp | 9 | 1,445 | 383 |
| of which RMBS | 548 | Discounted cash flow | Discount rate, in % | 1 | 32 | 9 |
| | | | Prepayment rate, in % | 0 | 35 | 8 |
| | | | Default rate, in % | 0 | 27 | 3 |
| | | | Loss severity, in % | 0 | 100 | 42 |
| of which CMBS | 334 | Discounted cash flow | Capitalization rate, in % | 7 | 12 | 8 |
| | | | Discount rate, in % | 1 | 26 | 8 |
| | | | Prepayment rate, in % | 0 | 28 | 14 |
| | | | Default rate, in % | 0 | 14 | 0 |
| | | | Loss severity, in % | 0 | 50 | 2 |
| of which CDO | 1,369 | | | | | |
| of which | 110 | Vendor price | Price, in % | 50 | 100 | 95 |
| of which | 338 | Discounted cash flow | Discount rate, in % | 2 | 18 | 8 |
| | | | Prepayment rate, in % | 0 | 30 | 10 |
| | | | Default rate, in % | 0 | 7 | 2 |
| | | | Loss severity, in % | 0 | 100 | 31 |
| of which | 785 | Market comparable | Price, in % | 89 | 197 | 186 |
| Equity | 674 | | | | | |
| of which | 421 | Market comparable | EBITDA multiple | 3 | 12 | 9 |
| | | | Price, in % | 1 | 179 | 48 |
| of which | 25 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,125 | | | | | |
| of which interest rate products | 1,713 | Option model | Correlation, in % | 15 | 100 | 80 |
| | | | Prepayment rate, in % | 5 | 36 | 28 |
| | | | Volatility skew, in % | (8) | 2 | (1) |
| | | | Credit spread, in bp | 60 | 531 | 137 |
| of which equity/index-related products | 932 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Volatility, in % | 0 | 170 | 20 |
| of which credit derivatives | 1,097 | Discounted cash flow | Credit spread, in bp | 1 | 1,928 | 117 |
| | | | Recovery rate, in % | 0 | 77 | 26 |
| | | | Discount rate, in % | 1 | 34 | 15 |
| | | | Default rate, in % | 1 | 22 | 7 |
| | | | Loss severity, in % | 10 | 90 | 57 |
| | | | Correlation, in % | 32 | 97 | 70 |
| | | | Prepayment rate, in % | 0 | 31 | 5 |
| Other | 3,082 | | | | | |
| of which | 2,398 | Market comparable | Price, in % | 0 | 108 | 45 |
| of which | 646 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 13,481 | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 6M14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Investment securities | 3 | – | – | – | – | – |
| Private equity | 1,239 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 323 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,723 | | | | | |
| of which private | 1,723 | | | | | |
| of which | 350 | Discounted cash flow | Contingent probability, in % | 69 | 69 | 69 |
| of which | 944 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Life finance instruments | 1,605 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 8 |
| Other investments | 4,890 | | | | | |
| Loans | 8,598 | | | | | |
| of which commercial and industrial loans | 5,699 | | | | | |
| of which | 4,798 | Discounted cash flow | Credit spread, in bp | 11 | 2,692 | 366 |
| of which | 637 | Market comparable | Price, in % | 0 | 118 | 92 |
| of which financial institutions | 1,572 | Discounted cash flow | Credit spread, in bp | 93 | 813 | 318 |
| Other intangible assets (mortgage servicing rights) | 66 | – | – | – | – | – |
| Other assets | 5,923 | | | | | |
| of which loans held-for-sale | 5,242 | | | | | |
| of which | 1,707 | Vendor price | Price, in % | 0 | 104 | 99 |
| of which | 820 | Discounted cash flow | Credit spread, in bp | 75 | 623 | 270 |
| | | | Recovery rate, in % | 1 | 1 | 1 |
| of which | 2,424 | Market comparable | Price, in % | 0 | 103 | 68 |
| **Total level 3 assets at fair value** | **33,030** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,339 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,631 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,963 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,078** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 6M14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 87 | – | – | – | – | – |
| Trading liabilities | 4,915 | | | | | |
| of which interest rate derivatives | 1,185 | Option model | Basis spread, in bp | (10) | 98 | 56 |
| | | | Correlation, in % | 17 | 100 | 70 |
| | | | Mean reversion, in % [2] | 5 | 10 | 5 |
| | | | Prepayment rate, in % | 8 | 36 | 27 |
| | | | Gap risk, in % [3] | 20 | 20 | 20 |
| of which foreign exchange derivatives | 696 | Option model | Correlation, in % | (10) | 70 | 50 |
| | | | Prepayment rate, in % | 23 | 36 | 29 |
| of which equity/index-related derivatives | 1,265 | Option model | Correlation, in % | (83) | 100 | 12 |
| | | | Skew, in % | 49 | 159 | 106 |
| | | | Volatility, in % | 3 | 170 | 28 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| of which credit derivatives | 1,291 | Discounted cash flow | Credit spread, in bp | 1 | 1,831 | 133 |
| | | | Discount rate, in % | 1 | 35 | 15 |
| | | | Default rate, in % | 1 | 21 | 7 |
| | | | Recovery rate, in % | 0 | 77 | 38 |
| | | | Loss severity, in % | 10 | 90 | 61 |
| | | | Correlation, in % | 32 | 98 | 53 |
| | | | Funding spread, in bp | 51 | 51 | 51 |
| | | | Prepayment rate, in % | 0 | 11 | 4 |
| Short-term borrowings | 101 | – | – | – | – | – |
| Long-term debt | 10,313 | | | | | |
| of which structured notes over two years | 7,374 | | | | | |
| of which | 5,910 | Option model | Correlation, in % | (83) | 100 | 13 |
| | | | Volatility, in % | 3 | 170 | 25 |
| | | | Buyback probability, in % [4] | 50 | 100 | 59 |
| | | | Gap risk, in % [3] | 0 | 4 | 0 |
| of which | 452 | Discounted cash flow | Credit spread, in bp | 305 | 673 | 372 |
| of which non-recourse liabilities | 2,028 | | | | | |
| of which | 1,831 | Vendor price | Price, in % | 0 | 104 | 99 |
| of which | 143 | Market comparable | Price, in % | 0 | 87 | 8 |
| Other liabilities | 3,321 | | | | | |
| of which failed sales | 727 | | | | | |
| of which | 661 | Market comparable | Price, in % | 0 | 100 | 68 |
| of which | 50 | Discounted cash flow | Credit spread, in bp | 535 | 2,692 | 2,037 |
| | | | Recovery rate, in % | 26 | 26 | 26 |
| **Total level 3 liabilities at fair value** | **18,737** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Management's best estimate of the speed at which interest rates will revert to the long-term average.
3 Risk of unexpected large declines in the underlying values between collateral settlement dates.
4 Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,859 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,537** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values between collateral settlement dates.

## Fair value, unfunded commitments and term of redemption conditions

| | | | | 6M14 | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commit-ments** | Non-redeemable | Redeemable | **Total fair value** | **Unfunded commit-ments** |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 6 | 105 | 111 | 0 | 1 | 18 | 19 | 0 |
| Equity funds | 31 | 2,087 [1] | 2,118 | 0 | 28 | 3,096 [2] | 3,124 | 0 |
| Equity funds sold short | 0 | (13) | (13) | 0 | 0 | (17) | (17) | 0 |
| Total funds held in trading assets and liabilities | 37 | 2,179 | 2,216 | 0 | 29 | 3,097 | 3,126 | 0 |
| Debt funds | 312 | 119 | 431 | 1 | 320 | 183 | 503 | 6 |
| Equity funds | 0 | 0 | 0 | 0 | 0 | 25 | 25 | 0 |
| Others | 0 | 51 | 51 | 0 | 0 | 153 | 153 | 31 |
| Hedge funds | 312 | 170 [3] | 482 | 1 | 320 | 361 [4] | 681 | 37 |
| Debt funds | 19 | 0 | 19 | 14 | 53 | 0 | 53 | 2 |
| Equity funds | 567 | 0 | 567 | 117 | 2,230 | 0 | 2,230 | 464 |
| Real estate funds | 264 | 0 | 264 | 87 | 350 | 0 | 350 | 110 |
| Others | 389 | 0 | 389 | 123 | 706 | 0 | 706 | 250 |
| Private equities | 1,239 | 0 | 1,239 | 341 | 3,339 | 0 | 3,339 | 826 |
| Equity method investments | 373 | 38 | 411 | 0 | 349 | 0 | 349 | 0 |
| Total funds held in other investments | 1,924 | 208 | 2,132 | 342 | 4,008 | 361 | 4,369 | 863 |
| **Total fair value** | **1,961** [5] | **2,387** [6] | **4,348** | **342** [7] | **4,037** [5] | **3,458** [6] | **7,495** | **863** [7] |

[1] 35% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 29% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 26% is redeemable on an annual basis with a notice period primarily of more than 60 days, and 11% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 84% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 14% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 641 million and CHF 1,819 million attributable to noncontrolling interests in 6M14 and 2013, respectively.
[6] Includes CHF 116 million and CHF 107 million attributable to noncontrolling interests in 6M14 and 2013, respectively.
[7] Includes CHF 175 million and CHF 405 million attributable to noncontrolling interests in 6M14 and 2013, respectively.

## Nonrecurring fair value changes

| end of | **6M14** | 2013 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.3** |
| of which level 3 | 0.2 | 0.3 |

## Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| | 6M14 | | | 2013 | | |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,039 | 3,211 | (2,172) | 956 | 3,262 | (2,306) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 309 | 306 | 3 | 311 | 307 | 4 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 86,586 | 86,304 | 282 | 96,587 | 96,217 | 370 |
| Loans | 19,897 | 20,010 | (113) | 19,457 | 19,653 | (196) |
| Other assets [1] | 21,539 | 27,671 | (6,132) | 20,749 | 25,756 | (5,007) |
| Due to banks and customer deposits | (713) | (689) | (24) | (690) | (680) | (10) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (60,529) | (60,458) | (71) | (76,104) | (76,012) | (92) |
| Short-term borrowings | (7,132) | (7,075) | (57) | (6,053) | (5,896) | (157) |
| Long-term debt | (68,738) | (67,939) | (799) | (61,853) | (61,529) | (324) |
| Other liabilities | (1,205) | (2,631) | 1,426 | (1,780) | (3,285) | 1,505 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| | 6M14 | 6M13 |
|---|---|---|
| in | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 0 [1] | 4 [1] |
| of which related to credit risk | (1) | (2) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 472 [1] | 532 [1] |
| Other investments | 207 [3] | (34) [2] |
| of which related to credit risk | 3 | 0 |
| Loans | 531 [1] | 224 [1] |
| of which related to credit risk | 70 | (107) |
| Other assets | 952 [1] | 1,128 [1] |
| of which related to credit risk | 351 | 300 |
| Due to banks and customer deposits | (26) [2] | 13 [2] |
| of which related to credit risk | (8) | (1) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (38) [1] | 40 [2] |
| Short-term borrowings | (46) [2] | 6 [2] |
| Long-term debt | (2,114) [2] | 783 [2] |
| of which related to credit risk [4] | (2) | 21 |
| Other liabilities | 43 [3] | 254 [2] |
| of which related to credit risk | (39) | 51 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

### Carrying value and fair value of financial instruments not carried at fair value

| end of | Carrying value | Level 1 | Level 2 | Level 3 | Fair value Total |
|---|---|---|---|---|---|
| **6M14 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 79,155 | 0 | 78,608 | 548 | 79,156 |
| Loans | 215,609 | 0 | 217,651 | 2,508 | 220,159 |
| Other financial assets [1] | 147,481 | 67,454 | 78,838 | 1,522 | 147,814 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 357,620 | 203,360 | 154,161 | 10 | 357,531 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 27,538 | 0 | 27,538 | 0 | 27,538 |
| Short-term borrowings | 22,294 | 0 | 22,298 | 0 | 22,298 |
| Long-term debt | 69,569 | 0 | 67,410 | 4,018 | 71,428 |
| Other financial liabilities [2] | 92,132 | 0 | 91,593 | 617 | 92,210 |
| **2013 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,426 | 0 | 62,882 | 544 | 63,426 |
| Loans | 209,070 | 0 | 209,820 | 3,940 | 213,760 |
| Other financial assets [1] | 143,827 | 71,518 | 71,135 | 1,473 | 144,126 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 340,278 | 204,134 | 136,064 | 9 | 340,207 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 64,788 | 0 | 62,027 | 3,774 | 65,801 |
| Other financial liabilities [2] | 96,649 | 1,128 | 94,452 | 1,085 | 96,665 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 27 Assets pledged and collateral

▸ Refer to "Note 28 – Assets pledged and collateral" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 and to "Note 34 – Assets pledged and collateral" in VII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2013 for further information.

### Assets pledged

| end of | 6M14 | 2013 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 140,862 | 137,207 |
| of which encumbered | 93,046 | 92,300 |

### Collateral

| end of | 6M14 | 2013 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 385,551 | 359,508 |
| of which sold or repledged | 288,647 | 267,902 |

## 28 Litigation

▸ Refer to "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Financial Report 2Q14 for further information.

CREDIT SUISSE

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

## Form 6-K

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

July 22, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Introduction

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three and six months ended June 30, 2014. On July 22, 2014, Credit Suisse Group AG (Group) announced its results for such three and six month period. A copy of the related Earnings Release is attached as an exhibit to this Form 6-K.

This Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended except, in the case of both (i) and (ii), the information on page 3 of the Earnings Release.

The 2Q14 Credit Suisse Financial Report as of and for the three and six months ended June 30, 2014 will be published on or about July 31, 2014.

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

References herein to "CHF" are to Swiss francs.

# Key information

# Selected financial data

## Selected operations statement information

| in | 2Q14 | 2Q13 | % change | 6M14 | 6M13 | % change |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **6,280** | **6,787** | (7) | **13,031** | **13,787** | (5) |
| **Provision for credit losses** | **4** | **35** | (89) | **23** | **37** | (38) |
| Compensation and benefits | 2,993 | 2,838 | 5 | 5,997 | 5,843 | 3 |
| General and administrative expenses | 3,456 | 1,896 | 82 | 5,162 | 3,644 | 42 |
| Commission expenses | 374 | 454 | (18) | 740 | 921 | (20) |
| Total other operating expenses | 3,830 | 2,350 | 63 | 5,902 | 4,565 | 29 |
| **Total operating expenses** | **6,823** | **5,188** | 32 | **11,899** | **10,408** | 14 |
| **Income/(loss) from continuing operations before taxes** | **(547)** | **1,564** | – | **1,109** | **3,342** | (67) |
| Income tax expense | 278 | 452 | (38) | 802 | 925 | (13) |
| **Income/(loss) from continuing operations** | **(825)** | **1,112** | – | **307** | **2,417** | (87) |
| Income/(loss) from discontinued operations, net of tax | (9) | (9) | 0 | 6 | (3) | – |
| **Net income/(loss)** | **(834)** | **1,103** | – | **313** | **2,414** | (87) |
| Net income attributable to noncontrolling interests | 29 | 320 | (91) | 184 | 535 | (66) |
| **Net income/(loss) attributable to shareholders** | **(863)** | **783** | – | **129** | **1,879** | (93) |
| of which from continuing operations | (854) | 792 | – | 123 | 1,882 | (93) |
| of which from discontinued operations | (9) | (9) | 0 | 6 | (3) | – |

## Selected balance sheet information

| end of | 2Q14 | 4Q13 | % change |
|---|---|---|---|
| **Balance sheet statistics (CHF million)** | | | |
| Total assets | 872,656 | 854,412 | 2 |
| Share capital | 4,400 | 4,400 | 0 |

## BIS statistics (Basel III)

| end of | 2Q14 | 4Q13 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 34,856 | 38,028 | (8) |
| Total tier 1 capital | 40,789 | 41,105 | (1) |
| Total eligible capital | 50,333 | 52,066 | (3) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 12.6 | 14.4 | – |
| Tier 1 ratio | 14.8 | 15.6 | – |
| Total capital ratio | 18.2 | 19.7 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **2Q14** | 2Q13 | **2Q14** | 2Q13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 6,280 | 6,787 | 6,463 | 6,952 |
| Total operating expenses | 6,823 | 5,188 | 6,791 | 5,256 |
| Income/(loss) from continuing operations before taxes | (547) | 1,564 | (346) | 1,645 |
| Income/(loss) from continuing operations | (825) | 1,112 | (653) | 1,173 |
| Net income/(loss) attributable to shareholders | (863) | 783 | (700) | 1,045 |
| of which from continuing operations | (854) | 792 | (691) | 1,054 |

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **6M14** | 6M13 | **6M14** | 6M13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 13,031 | 13,787 | 13,292 | 14,041 |
| Total operating expenses | 11,899 | 10,408 | 11,843 | 10,449 |
| Income from continuing operations before taxes | 1,109 | 3,342 | 1,397 | 3,519 |
| Income from continuing operations | 307 | 2,417 | 547 | 2,548 |
| Net income attributable to shareholders | 129 | 1,879 | 159 | 2,348 |
| of which from continuing operations | 123 | 1,882 | 153 | 2,351 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **2Q14** | 4Q13 | **2Q14** | 4Q13 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 872,656 | 854,412 | 891,580 | 872,806 |
| Total liabilities | 832,447 | 810,849 | 849,553 | 825,640 |

# Exhibits

**No. Description**

99.1 Credit Suisse Earnings Release 2Q14

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: July 22, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

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# Earnings Release

## Credit Suisse 2Q14 results: Core pre-tax income of CHF 1,767 million for strategic businesses and return on equity of 13%; reported Core pre-tax loss of CHF 370 million, reflecting the previously announced CHF 1,618 million charge relating to the final settlement of all outstanding US cross-border matters

## Credit Suisse 6M14 results: Core pre-tax income of CHF 3,707 million for strategic businesses and return on equity of 13%; reported Core pre-tax income of CHF 1,030 million

## Look-through CET1 ratio of 9.5% as of the end of 2Q14; on track to exceed 10% by year-end 2014

## Resilient 2Q14 performance of Private Banking & Wealth Management's strategic businesses with strong net new assets of CHF 11.8 billion

## 2Q14 Investment Banking results reflect strong origination activity, continued strong performance in credit and securitized products and improved capital efficiency

**Private Banking & Wealth Management strategic performance reflecting lower revenues but continued efficiency gains:**

- 2Q14 resilient profitability in strategic businesses with pre-tax income of CHF 882 million, down 13% from a very strong 2Q13, and a return on capital of 28%
- 2Q14 total reported pre-tax loss of CHF 749 million, including the previously announced CHF 1,618 million charge relating to the final settlement of all outstanding US cross-border matters
- Further increased cost efficiency of strategic businesses in 6M14 with cost/income ratio of 68%, improved from 71% in 6M13
- Increased Wealth Management Clients net margin to 28 basis points for 6M14, supported by significant progress on cost reduction
- Wealth Management Clients 2Q14 gross margin at 99 basis points, down five basis points compared to 1Q14, reflecting an increase in assets under management, a change in client mix, lower fee-based revenues and slightly lower net interest income
- Strong 2Q14 net new assets from strategic businesses of CHF 11.8 billion with annualized growth rate of 4%, notwithstanding continued outflows of CHF 2.9 billion from Western European cross-border business due to substantial progress on regularization of asset base; total net new assets of CHF 10.1 billion with total Western European cross-border outflows of CHF 4.1 billion

**Investment Banking performance reflecting stability of diversified strategic franchise:**

- Strategic businesses with pre-tax income of CHF 1,034 million and return on capital of 18%; strong performance from fixed income yield franchises and underwriting businesses, partly offset by less favorable trading conditions for equity sales and trading and continued weakness in global macro products
- Total reported pre-tax income of CHF 752 million with strong performance in key businesses and acceleration in the wind-down of the non-strategic unit
- Strong 6M14 return on capital in Investment Banking, with 20% from strategic businesses and solid 13% in total reported results
- Restructuring of macro business, including exit from commodities trading, to further enhance capital and operating efficiencies targeting approximately USD 200 million in expense savings, USD 8 billion in risk-weighted asset reduction and USD 25 billion in leverage exposure reduction by the end-state

**Resilient capital base and leverage ratio as of the end of 2Q14, notwithstanding the settlement of the US cross-border matter:**

- Look-through BIS CET1 ratio of 9.5%, progress in executing capital measures expected to fully mitigate impact of litigation settlement and on track to exceed 10% CET1 ratio by year-end, including continued accrual of cash dividend for 2014; Look-through Swiss total capital ratio at 15.3%
- Leverage exposure at CHF 1,156 billion; Phase-in Swiss leverage ratio of 4.8%; Look-through Swiss leverage ratio of 3.7% within reach of the 2019 requirement of 4%

**On track to reach cost reduction targets:**

- Delivered CHF 3.4 billion of adjusted annualized savings compared to the annualized expense run rate for 6M11; maintaining momentum towards target of over CHF 4.5 billion by end-2015

**Wind-down of non-strategic units and progress in resolving legacy litigation issues:**

- Wind-down ahead of schedule with Swiss leverage exposure reduction of USD 3 billion and risk-weighted asset reduction of USD 6 billion in the Investment Banking non-strategic unit
- Significant progress in resolving key legacy litigation issues in 2014 to date

July 22, 2014 **Credit Suisse Group reports 2Q14 and 6M14 results**

Brady W. Dougan, Chief Executive Officer, said: "Our reported results for the second quarter and the first half of 2014 were impacted by the resolution of our most significant legacy litigation issue. During the quarter, we continued to see good momentum with clients, while at the same time making further progress in winding-down our non-strategic units. Our strategic results were solid, demonstrating the resilience of our business model, notwithstanding subdued client trading activity in certain areas which impacted both Private Banking & Wealth Management and Investment Banking."

He continued: "With the final settlement of all outstanding US cross-border matters as announced in May, we brought to a close the most significant and longstanding litigation issue for Credit Suisse. I want to reiterate that we deeply regret the past misconduct that led to this settlement and that we take full responsibility for it. The continued trust and support of our clients helped us mitigate the impact of the settlement on our business. We are executing our capital measures and are on track to improve our Look-through CET 1 ratio to above 10% by the end of the year. This includes the continued accrual for a cash dividend for 2014. Once we reach 10%, and as we continue to accrete capital towards our 11% long-term target, we intend to return approximately half of our earnings to shareholders through our annual distributions."

Commenting on Private Banking & Wealth Management, he said: "We generated strong net new assets of CHF 11.8 billion in the second quarter from our strategic businesses, driven by growth in Asia Pacific and Switzerland – two of our key markets. This strong growth more than offset outflows from our Western European cross border business, where we are taking proactive steps to regularize our asset base. This is part of the secular transformation of the cross border wealth management business. During the quarter, we further improved the efficiency of our strategic businesses with lower operating expenses, which helped us mitigate the impact of the subdued transaction activity and the continued low interest rate environment on our results."

Commenting on Investment Banking, he said: "Investment Banking delivered solid results for the second quarter of 2014, reflecting strong origination activity, continued momentum in our yield franchises and improved capital efficiency compared to the first quarter. The restructuring of our macro business, including the exit from commodities trading, is expected to drive further capital, leverage and expense reductions. Our strategic businesses reported a return on capital of 18% for the second quarter and 20% for the first half of 2014, demonstrating the stability of our diversified strategic franchise."

## Core Results summary

For additional information on financial information presented in this Earnings Release, including references to return on equity and return on capital, refer to the tabular disclosures in the Appendix and other explanatory disclosures regarding capital and leverage metrics in the section titled "Important information" on page 18.

### Core Results highlights

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,433** | **6,469** | **6,830** | (1) | (6) | **12,902** | **13,848** | (7) |
| **Provision for credit losses** | **18** | **34** | **51** | (47) | (65) | **52** | **73** | (29) |
| **Total operating expenses** | **6,785** | **5,035** | **5,239** | 35 | 30 | **11,820** | **10,430** | 13 |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | – | – | **1,030** | **3,345** | (69) |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | – | – | **159** | **2,348** | (93) |
| **Metrics (%)** | | | | | | | | |
| Return on capital | – | 14.4 | 14.6 | – | – | 5.3 | 16.5 | – |
| Cost/income ratio | 105.5 | 77.8 | 76.7 | – | – | 91.6 | 75.3 | – |
| **Strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **6,324** | **6,553** | **6,795** | (3) | (7) | **12,877** | **13,813** | (7) |
| **Provision for credit losses** | **25** | **18** | **23** | 39 | 9 | **43** | **39** | 10 |
| **Total operating expenses** | **4,532** | **4,595** | **4,685** | (1) | (3) | **9,127** | **9,480** | (4) |
| **Income from continuing operations before taxes** | **1,767** | **1,940** | **2,087** | (9) | (15) | **3,707** | **4,294** | (14) |
| **Net income attributable to shareholders** | **1,282** | **1,398** | **1,455** | (8) | (12) | **2,680** | **3,034** | (12) |
| **Metrics (%)** | | | | | | | | |
| Return on capital | 19.2 | 21.7 | 21.7 | – | – | 20.5 | 23.3 | – |
| Cost/income ratio | 71.7 | 70.1 | 68.9 | – | – | 70.9 | 68.6 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **109** | **(84)** | **35** | – | 211 | **25** | **35** | (29) |
| **Provision for credit losses** | **(7)** | **16** | **28** | – | – | **9** | **34** | (74) |
| **Total operating expenses** | **2,253** | **440** | **554** | 412 | 307 | **2,693** | **950** | 183 |
| **Loss from continuing operations before taxes** | **(2,137)** | **(540)** | **(547)** | 296 | 291 | **(2,677)** | **(949)** | 182 |
| **Net loss attributable to shareholders** | **(1,982)** | **(539)** | **(410)** | 268 | 383 | **(2,521)** | **(686)** | 267 |

Core Results do not include noncontrolling interests without significant economic interests.

**Net loss attributable to shareholders** was CHF 700 million in 2Q14.

**Loss before taxes** of CHF 370 million in 2Q14 compared to income before taxes of CHF 1,540 million in 2Q13, reflecting a 30% increase in total operating expenses, primarily driven by the CHF 1,618 million charge relating to the final settlement of all outstanding US cross-border matters. In strategic businesses, pre-tax income of CHF 1,767 million decreased 15% compared to 2Q13, and in non-strategic businesses the pre-tax loss was CHF 2,137 million.

**Net revenues** of CHF 6,433 million decreased 6% compared to 2Q13. In the strategic businesses, net revenues declined 7% to CHF 6,324 million compared to 2Q13, with lower revenues in Private Banking & Wealth Management and Investment Banking. In the non-strategic businesses, net revenues increased 211% to CHF 109 million compared to 2Q13.

**Provision for credit losses** of CHF 18 million in 2Q14, reflected net provisions in Private Banking & Wealth Management, partially offset by a release of provisions in Investment Banking.

**Total operating expenses** of CHF 6,785 million were up 30% compared to 2Q13, primarily reflecting 84% higher general and administrative expenses. In strategic businesses, total operating expenses of CHF 4,532 million decreased 3% compared to 2Q13, mainly reflecting an 18% decrease in commission expenses and a 5% decline in general and administrative expenses. In non-strategic businesses total operating expenses of CHF 2,253 million increased 307% compared to 2Q13, reflecting the litigation settlement charge of CHF 1,618 million recognized in the non-strategic results of the Private Banking & Wealth Management division. Business realignment costs in 2Q14 were CHF 153 million.

**Income tax expense** of CHF 307 million recorded in 2Q14 reflected the impact of the geographical mix of results, the recognition of additional Swiss deferred tax assets relating to timing differences following certain changes in Swiss GAAP and the re-assessment of UK deferred tax assets resulting in a reduction of deferred tax assets on net operating losses. Overall, net deferred tax assets decreased CHF 122 million to CHF 5,134 million as of the end of 2Q14 compared to 1Q14. Deferred tax assets on net operating losses decreased CHF 678 million to CHF 758 million during 2Q14. The Core Results effective tax rate was (83.0)% in 2Q14, compared to 38.8% in 1Q14. The effective tax rate reflects that the majority of the litigation settlement charge was non-deductible. Excluding this impact, the Core Results effective tax rate for 2Q14 would have been 26.2%.

**Significant litigation matter in 2Q14.** In May 2014, Credit Suisse entered into a comprehensive and final settlement regarding all outstanding US cross-border matters, including agreements with the US Department of Justice, the New York State Department of Financial Services, the Board of Governors of the US Federal Reserve System and, as previously announced, the US Securities and Exchange Commission (SEC). The final settlement amount was USD 2,815 million (CHF 2,510 million). In prior quarters, Credit Suisse had taken litigation provisions totaling CHF 892 million related to this matter. As a result, a pre-tax litigation settlement charge of CHF 1,618 million was recognized in 2Q14 in the non-strategic results of the Private Banking & Wealth Management division. The settlement included a guilty plea entered into by the Group's Swiss banking entity, Credit Suisse AG.

**Other litigation matters.** The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for certain proceedings for which the Group believes an estimate is possible decreased from a range of zero to CHF 2.4 billion at the end of 1Q14 to a range of zero to CHF 1.0 billion at the end 2Q14.

**Diluted loss per share from continuing operations** was CHF 0.45 for 2Q14 compared to diluted earnings per share of CHF 0.53 in 2Q13 and of CHF 0.47 in 1Q14.

**Capital and leverage.** As of the end of 2Q14, Credit Suisse reported a Look-through BIS common equity tier 1 (CET1) ratio of 9.5%, compared to 10.0% as of the end of 1Q14. As of the end of 2Q14, the Look-through Swiss total capital ratio was 15.3%, compared to 15.0% as of the end of 1Q14.

The BIS CET1 ratio as of the end of 2Q14 was 13.8%, compared to 14.3% as of the end of 1Q14, reflecting a decrease in CET1 capital. Basel III risk-weighted assets for the Group were stable at CHF 285.4 billion as of the end of 2Q14, reflecting a decrease in credit risk related to credit valuation adjustments (CVA) and market risk largely offset by increases in credit risk (excluding CVA) and operational risk and an increase resulting from foreign exchange translation.

As of the end of 2Q14, Credit Suisse's Swiss leverage exposure amounted to CHF 1,156 billion, compared to an updated long-term target of approximately CHF 1,000 billion. The Look-through Swiss leverage ratio was 3.7%, compared to the 4% requirement for 2019.

**Benefits of the integrated bank.** In 2Q14, Credit Suisse generated CHF 1.0 billion of collaboration revenues from the integrated bank. This corresponds to 15.4% of Core net revenues in 2Q14.

## Private Banking & Wealth Management

In 2Q14, Private Banking & Wealth Management reported a loss before taxes of CHF 749 million and net revenues of CHF 3,046 million. In its strategic businesses, Private Banking & Wealth Management reported income before taxes of CHF 882 million and net revenues of CHF 2,932 million. Compared to 2Q13, income before taxes in strategic businesses decreased 13%, mainly driven by lower transaction- and performance-based revenues and lower net interest income, partially offset by lower operating expenses. Net revenues were slightly lower compared to 1Q14 mainly due to lower transaction- and performance-based revenues and lower other revenues. In its non-strategic businesses, Private Banking & Wealth Management reported a loss before taxes of CHF 1,631 million, driven by the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. In 2Q14, assets under management for the division were CHF 1,329.7 billion and the division attracted net new assets of CHF 10.1 billion.

### Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **3,046** | **3,240** | **3,419** | (6) | (11) | **6,286** | **6,697** | (6) |
| **Provision for credit losses** | **23** | **33** | **46** | (30) | (50) | **56** | **74** | (24) |
| Compensation and benefits | 1,235 | 1,290 | 1,353 | (4) | (9) | 2,525 | 2,732 | (8) |
| Total other operating expenses | 2,537 | 905 | 1,103 | 180 | 130 | 3,442 | 2,093 | 64 |
| **Total operating expenses** | **3,772** | **2,195** | **2,456** | 72 | 54 | **5,967** | **4,825** | 24 |
| **Income/(loss) before taxes** | **(749)** | **1,012** | **917** | – | – | **263** | **1,798** | (85) |
| **Metrics (%)** | | | | | | | | |
| Return on capital | – | 31.0 | 28.0 | – | – | 4.0 | 28.6 | – |
| Cost/income ratio | 123.8 | 67.7 | 71.8 | – | – | 94.9 | 72.0 | – |

## Strategic results

*Private Banking & Wealth Management's strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.*

### Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 954 | 963 | 1,054 | (1) | (9) | 1,917 | 2,073 | (8) |
| Recurring commissions and fees | 1,136 | 1,139 | 1,155 | 0 | (2) | 2,275 | 2,256 | 1 |
| Transaction- and performance-based revenues | 865 | 919 | 1,033 | (6) | (16) | 1,784 | 1,907 | (6) |
| Other revenues | (23) | 10 | (10) | – | 130 | (13) | 4 | – |
| **Net revenues** | **2,932** | **3,031** | **3,232** | (3) | (9) | **5,963** | **6,240** | (4) |
| **Provision for credit losses** | **30** | **17** | **19** | 76 | 58 | **47** | **42** | 12 |
| **Total operating expenses** | **2,020** | **2,049** | **2,198** | (1) | (8) | **4,069** | **4,427** | (8) |
| **Income before taxes** | **882** | **965** | **1,015** | (9) | (13) | **1,847** | **1,771** | 4 |
| **Metrics (%)** | | | | | | | | |
| Return on capital | 28.0 | 31.6 | 33.5 | – | – | 29.8 | 30.3 | – |
| Cost/income ratio | 68.9 | 67.6 | 68.0 | – | – | 68.2 | 70.9 | – |

In 2Q14, the strategic businesses for Private Banking & Wealth Management reported income before taxes of CHF 882 million and net revenues of CHF 2,932 million.

Compared to 2Q13, net revenues decreased 9% primarily reflecting lower transaction- and performance-based revenues and decreased net interest income. The decrease in transaction- and performance-based revenues reflected lower revenues across most major revenue categories, primarily from foreign exchange client business, carried interest on realized private equity gains and semi-annual performance fees from Hedging-Griffo. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins on stable average deposit volumes and slightly lower loan margins on higher average loan volumes. Slightly lower recurring commissions and fees reflected decreased investment product management fees, partially offset by higher discretionary mandate management fees and slightly higher asset management fees.

Compared to 1Q14, net revenues decreased 3%, primarily reflecting lower transaction- and performance-based revenues and lower other revenues. The decrease in transaction- and performance-based revenues reflected lower brokerage and product issuing fees, lower performance fees and carried interest, lower placement and transaction fees and lower foreign exchange client business, partially offset by higher equity participations income. Lower other revenues mainly reflected a fair value decrease on Clock Finance, a credit securitization transaction. Stable net interest income reflected lower deposit margins on stable average deposit volumes and stable loan margins on slightly higher average loan volumes. Stable recurring commissions and fees mainly reflected lower banking services fees and lower investment product management fees, largely offset by slightly higher asset management fees and slightly higher discretionary mandate management fees.

Provision for credit losses was CHF 30 million, compared to CHF 19 million in 2Q13 and CHF 17 million in 1Q14.

Total operating expenses were lower compared to 2Q13 and stable compared to 1Q14. Compared to 2Q13, compensation and benefits decreased 7%, mainly reflecting lower salary expenses, driven by lower headcount, and general and administrative expenses decreased 7%, primarily reflecting the results of the ongoing efficiency measures and lower expense provisions. Compared to 1Q14, compensation and benefits decreased 3% due to lower discretionary performance-related compensation. Slightly higher general and administrative expenses primarily reflected higher travel and entertainment expenses and slightly higher professional services fees.

The cost/income ratio for strategic results was 69% in 2Q14, up one percentage point compared to 2Q13 and 1Q14.

## Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 688 | 706 | 778 | (3) | (12) | 1,394 | 1,524 | (9) |
| Recurring commissions and fees | 728 | 730 | 750 | 0 | (3) | 1,458 | 1,467 | (1) |
| Transaction- and performance-based revenues | 601 | 638 | 711 | (6) | (15) | 1,239 | 1,335 | (7) |
| **Net revenues** | **2,017** | **2,074** | **2,239** | (3) | (10) | **4,091** | **4,326** | (5) |
| **Provision for credit losses** | **17** | **16** | **20** | 6 | (15) | **33** | **39** | (15) |
| **Total operating expenses** | **1,431** | **1,480** | **1,598** | (3) | (10) | **2,911** | **3,212** | (9) |
| **Income before taxes** | **569** | **578** | **621** | (2) | (8) | **1,147** | **1,075** | 7 |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 70.9 | 71.4 | 71.4 | – | – | 71.2 | 74.2 | – |

The *Wealth Management Clients* business in 2Q14 reported pre-tax income of CHF 569 million and net revenues of CHF 2,017 million. Net revenues decreased 10% compared to 2Q13, with lower transaction- and performance-based revenues, lower net interest income and slightly lower recurring commissions and fees. Transaction- and performance-based revenues decreased, mainly reflecting lower market activity adversely impacting foreign exchange client business and brokerage and product issuing fees, as well as lower equity participations income, due to an increased dividend in 2Q13 related to an ownership interest in SIX Group AG, and lower performance fees from Hedging-Griffo. Lower net interest income reflected the low interest rate environment, significantly lower deposit margins on stable average deposit volumes and lower loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding. Recurring commissions and fees decreased slightly, driven by lower investment product management fees and slightly lower investment account and services fees, partially offset by higher discretionary mandate management fees and slightly higher banking services fees.

Compared to 1Q14, net revenues decreased 3%, driven by lower transaction- and performance-based revenues and slightly lower net interest income. Transaction- and performance-based revenues decreased, mainly driven by lower brokerage and product issuing fees and lower placement and transaction fees, partially offset by higher equity participations income. Slightly lower net interest income reflected lower deposit margins on stable average deposit volumes and lower loan margins on slightly higher loan volumes. Recurring commissions and fees were stable with lower investment product management fees and lower banking services fees, reflecting lower account statement fees, offset by increases across other categories.

In 2Q14, the gross margin was 99 basis points, 13 basis points lower compared to 2Q13, mainly reflecting lower transaction- and performance-based revenues, a continued adverse interest rate environment and a 2.5% increase in average assets under management. Compared to 1Q14, the gross margin was down five basis points, driven by a 2.7% increase in average assets under management, a change in client mix, lower fee-based revenues and slightly lower net interest income.

Wealth Management Clients net margin was 28 basis points in 2Q14, three basis points lower compared to 2Q13, reflecting lower transaction- and performance-based revenues and lower net interest income, partially offset by lower operating expenses. Compared to 1Q14, the net margin was one basis point lower, driven by slightly lower income before taxes.

## Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Net interest income | 266 | 257 | 276 | 4 | (4) | 523 | 549 | (5) |
| Recurring commissions and fees | 113 | 122 | 115 | (7) | (2) | 235 | 226 | 4 |
| Transaction- and performance-based revenues | 118 | 117 | 127 | 1 | (7) | 235 | 248 | (5) |
| Other revenues | (22) | (4) | (6) | 450 | 267 | (26) | (11) | 136 |
| **Net revenues** | **475** | **492** | **512** | (3) | (7) | **967** | **1,012** | (4) |
| **Provision for credit losses** | **13** | **1** | **(1)** | – | – | **14** | **3** | 367 |
| **Total operating expenses** | **251** | **245** | **251** | 2 | 0 | **496** | **508** | (2) |
| **Income before taxes** | **211** | **246** | **262** | (14) | (19) | **457** | **501** | (9) |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 52.8 | 49.8 | 49.0 | – | – | 51.3 | 50.2 | – |

The *Corporate & Institutional Clients* business reported pre-tax income of CHF 211 million in 2Q14 and net revenues of CHF 475 million. Net revenues decreased 7% compared to 2Q13, mainly driven by decreased other revenues, lower net interest income and lower transaction- and performance-based revenues. Lower other revenues reflected a fair value decrease on the Clock Finance transaction. The decrease in net interest income reflected the low interest rate environment, significantly lower deposit margins on higher average deposit volumes and lower levels of deposits eligible as stable funding, partially offset by slightly higher loan margins on higher average loan volumes. The decrease in transaction- and performance-based revenues reflected lower sales and trading revenues, lower brokerage and product issuing fees and slightly lower foreign exchange client business. Slightly lower recurring commissions and fees reflected lower investment product management fees and lower banking services fees, partially offset by higher discretionary mandate management fees.

Compared to 1Q14, net revenues decreased 3%, with lower other revenues and lower recurring commissions and fees, partially offset by higher net interest income. Lower other revenues reflected a fair value decrease on the Clock Finance transaction. The decrease in recurring commissions and fees primarily reflected lower banking services fees. The increase in net interest income reflected higher loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on stable average deposit volumes. Stable transaction- and performance-based revenues reflected higher equity participations income, offset by slightly lower foreign exchange client business.

## Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 295 | 287 | 290 | 3 | 2 | 582 | 563 | 3 |
| Transaction- and performance-based revenues | 146 | 164 | 195 | (11) | (25) | 310 | 324 | (4) |
| Other revenues | (1) | 14 | (4) | – | (75) | 13 | 15 | (13) |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| of which fee-based revenues | 428 | 438 | 467 | (2) | (8) | 866 | 854 | 1 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **338** | **324** | **349** | 4 | (3) | **662** | **707** | (6) |
| **Income before taxes** | **102** | **141** | **132** | (28) | (23) | **243** | **195** | 25 |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.8 | 69.7 | 72.6 | – | – | 73.1 | 78.4 | – |

The *Asset Management* business reported pre-tax income of CHF 102 million in 2Q14, with net revenues of CHF 440 million. Net revenues decreased 9% compared to 2Q13, with fee-based revenues decreasing 8%, reflecting lower carried interest on realized private equity gains and the absence of performance fees from Hedging-Griffo due to year-to-date returns performing below their respective high-water marks, partially offset by higher placement fees and slightly higher asset management fees due to higher average assets under management. Net revenues declined 5% compared to 1Q14, with slightly lower fee-based revenues reflecting lower carried interest on realized private equity gains and lower real estate transaction fees, partially offset by slightly higher asset management fees and higher placement fees.

The fee-based margin was 46 basis points in 2Q14, compared to 53 basis points in 2Q13 and 49 basis points in 1Q14. The movements reflected both the lower fee-based revenues and the higher average assets under management, which increased 5.8% and 3.5% compared to 2Q13 and 1Q14, respectively.

## Non-strategic results

*The non-strategic results for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to the small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to US cross-border matters, the impact of restructuring of the German onshore operations, other smaller non-strategic positions formerly in the Corporate & Institutional Clients business and the run-off and active reduction of selected products.*

### Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **114** | **209** | **187** | (45) | (39) | **323** | **457** | (29) |
| **Provision for credit losses** | **(7)** | **16** | **27** | – | – | **9** | **32** | (72) |
| **Total operating expenses** | **1,752** | **146** | **258** | – | – | **1,898** | **398** | 377 |
| **Income/(loss) before taxes** | **(1,631)** | **47** | **(98)** | – | – | **(1,584)** | **27** | – |
| **Metrics (%)** | | | | | | | | |
| Cost/income ratio | – | 69.9 | 138.0 | – | – | – | 87.1 | – |

In 2Q14, the non-strategic businesses reported a loss before taxes of CHF 1,631 million, reflecting the litigation settlement charge of CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters. In 1Q14, Private Banking & Wealth Management's non-strategic businesses reported income before taxes of CHF 47 million, including an equity participation gain of CHF 91 million from the sale in January 2014 of Customized Fund Investment Group, a private equity fund of funds and co-investment business.

## Assets under management – Private Banking & Wealth Management

**Assets under management** of CHF 1,329.7 billion increased CHF 37.2 billion compared to the end of 1Q14, driven mainly by positive market movements, net new assets and favorable foreign exchange-related movements.

**Net new assets:** Private Banking & Wealth Management recorded net new assets of CHF 10.1 billion in 2Q14. In the strategic portfolio, Wealth Management Clients contributed net new assets of CHF 7.4 billion in 2Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, and Switzerland, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.6 billion in 2Q14. Asset Management reported net new assets of CHF 4.1 billion in 2Q14, driven by inflows in traditional products, with substantial contributions from index strategies, and inflows from hedge funds and credit products. In the non-strategic portfolio, net asset outflows of CHF 1.7 billion reflected the exit of certain businesses.

### Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 829.7 | 804.9 | 782.3 | 3.1 | 6.1 | 829.7 | 782.3 | 6.1 |
| Corporate & Institutional Clients | 261.4 | 254.4 | 238.3 | 2.8 | 9.7 | 261.4 | 238.3 | 9.7 |
| Asset Management | 377.1 | 363.4 | 346.1 | 3.8 | 9.0 | 377.1 | 346.1 | 9.0 |
| Non-strategic | 25.9 | 25.9 | 83.8 | 0.0 | (69.1) | 25.9 | 83.8 | (69.1) |
| Assets managed across businesses | (164.4) | (156.1) | (153.9) | 5.3 | 6.8 | (164.4) | (153.9) | 6.8 |
| **Assets under management** | **1,329.7** | **1,292.5** | **1,296.6** | 2.9 | 2.6 | **1,329.7** | **1,296.6** | 2.6 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,311.6 | 1,282.1 | 1,318.9 | 2.3 | (0.6) | 1,296.8 | 1,302.2 | (0.4) |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 7.4 | 10.6 | 7.7 | (30.2) | (3.9) | 18.0 | 13.4 | 34.3 |
| Corporate & Institutional Clients | 0.6 | 0.4 | (0.2) | 50.0 | – | 1.0 | 4.3 | (76.7) |
| Asset Management | 4.1 | 6.9 | 2.6 | (40.6) | 57.7 | 11.0 | 11.1 | (0.9) |
| Non-strategic | (1.7) | (2.3) | (1.4) | (26.1) | 21.4 | (4.0) | (3.7) | 8.1 |
| Assets managed across businesses | (0.3) | (1.9) | (1.1) | (84.2) | (72.7) | (2.2) | (5.5) | (60.0) |
| **Net new assets** | **10.1** | **13.7** | **7.6** | (26.3) | 32.9 | **23.8** | **19.6** | 21.4 |
| **Net new asset growth rate (annualized) (%)** | | | | | | | | |
| Net new asset growth rate – Wealth Management Clients | 3.7 | 5.4 | 3.9 | – | – | 4.6 | 3.5 | – |
| Net new asset growth rate – Asset Management | 4.5 | 7.8 | 3.0 | – | – | 6.3 | 6.8 | – |

## Investment Banking

In 2Q14, Investment Banking reported income before taxes of CHF 752 million and net revenues of CHF 3,342 million. Investment Banking delivered solid results, driven by the strength of the diversified strategic franchise and an accelerated wind-down of risk-weighted assets and leverage exposure in the non-strategic unit. In strategic businesses, net revenues declined 6% compared to 2Q13, primarily driven by less favorable trading conditions in equity sales and trading businesses and continued weakness in global macro products, particularly in foreign exchange and commodities. Compared to 1Q14, net revenues declined 5% in strategic businesses as less favorable trading conditions in certain fixed income businesses and equity sales and trading offset strong results in underwriting and advisory. In 2Q14, Investment Banking accelerated the wind-down of the non-strategic unit, reducing Swiss leverage exposure by USD 3 billion, or 4%, and Basel III risk-weighted assets by USD 6 billion, or 32%, compared to 1Q14.

With respect to the global macro products business, Credit Suisse decided to exit its small commodities trading business and the results during the wind-down period will be reflected in the non-strategic unit beginning in 3Q14. Credit Suisse will also re-focus its foreign exchange business towards a combination of electronic trading and voice offering for larger and more complex trades and will further simplify its rates product offering to focus primarily on satisfying client liquidity needs in cash products and derivatives.

### Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **3,342** | **3,416** | **3,400** | (2) | (2) | **6,758** | **7,345** | (8) |
| **Provision for credit losses** | **(5)** | **0** | **4** | – | – | **(5)** | **(2)** | 150 |
| Compensation and benefits | 1,499 | 1,521 | 1,466 | (1) | 2 | 3,020 | 2,951 | 2 |
| Total other operating expenses | 1,096 | 1,068 | 1,176 | 3 | (7) | 2,164 | 2,342 | (8) |
| **Total operating expenses** | **2,595** | **2,589** | **2,642** | 0 | (2) | **5,184** | **5,293** | (2) |
| **Income before taxes** | **752** | **827** | **754** | (9) | 0 | **1,579** | **2,054** | (23) |
| **Metrics (%)** | | | | | | | | |
| Return on capital | 12.3 | 13.6 | 11.0 | – | – | 13.0 | 15.8 | – |
| Cost/income ratio | 77.6 | 75.8 | 77.7 | – | – | 76.7 | 72.1 | – |

## Strategic results

In 2Q14, the strategic businesses reported income before taxes of CHF 1,034 million and net revenues of CHF 3,395 million. Compared to 2Q13, results were impacted by the weakening of the average rate of the US dollar against the Swiss franc, which negatively impacted revenues and favorably impacted expenses. Fixed income sales and trading revenues were higher compared to 2Q13, reflecting continued investor demand for yield products, but were partially offset by challenging trading conditions in global macro products. Revenues decreased compared to 1Q14, as lower global credit products and securitized products results, following a seasonally stronger 1Q14 for these businesses, more than offset a rebound in emerging markets revenues. Equities sales and trading results declined from strong 2Q13 levels, driven by less favorable trading conditions, specifically a low volatility and low volume environment, resulting in reduced client activity. Revenues were lower than 1Q14, primarily driven by weak client activity in our equity derivatives business. Underwriting and advisory results were higher compared to 2Q13 and 1Q14, reflecting significantly higher equity underwriting revenues, as origination remained robust.

**Fixed income sales and trading** Fixed income results reflected continued investor demand for yield products, specifically credit and securitized products in a low rate environment. 2Q13 performance was adversely impacted by a significant decline in trading activity due to rising rates and widening credit spreads from the US Federal Reserve's announcement to reduce its bond buying program. Emerging markets revenues improved substantially, primarily driven by strong financing activity. Results also reflected higher revenues from corporate lending. Securitized products revenues increased, driven by higher revenues in agency securities and mortgage servicing and consistent performance in asset finance. Global credit products had a solid performance, as strong origination activity led to higher secondary trading in investment grade and leveraged finance franchises. Global macro products had significantly lower revenues, as a low volatility environment resulted in subdued client activity, particularly in foreign exchange and commodities businesses. Rates revenues were lower, driven by declines in Japan and the US. Revenues decreased compared to 1Q14, as lower global credit products and securitized products results, following a seasonally stronger 1Q14 for these businesses, more than offset a rebound in emerging markets revenues.

**Equities sales and trading** Equity sales and trading revenues declined, driven by less favorable trading conditions specifically a low volatility and low volume environment, resulting in reduced client activity. Equity sales and trading revenues decreased compared to 2Q13, due to substantially lower revenues from systematic market making, reflecting significantly less favorable trading conditions compared to 2Q13 which included the positive impact of quantitative easing in Japan. Derivatives revenues were lower, as a significant decline in volatility resulted in weaker client activity, particularly in the US flow businesses, and 2Q13 results benefitted from strong performance in Asia and the US. Cash equities revenues declined significantly as reduced commission revenues, reflecting lower global market volumes, more than offset market share gains in the US. Prime services results were solid, reflecting continued market leadership, increased activity in Europe and growth in client clearing services. Compared to 1Q14, revenues declined primarily driven by weak client activity in our equity derivatives business.

**Underwriting and advisory** results were higher compared to 2Q13 and 1Q14, reflecting significantly higher equity underwriting revenues, as origination remained robust.

### Investment Banking – strategic results

| | | | in / end of | | % change | | | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Strategic results (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 468 | 534 | 3 | (10) | 951 | 995 | (4) |
| Equity underwriting | 268 | 183 | 206 | 46 | 30 | 451 | 363 | 24 |
| Total underwriting | 751 | 651 | 740 | 15 | 1 | 1,402 | 1,358 | 3 |
| Advisory and other fees | 161 | 180 | 167 | (11) | (4) | 341 | 312 | 9 |
| **Total underwriting and advisory** | **912** | **831** | **907** | 10 | 1 | **1,743** | **1,670** | 4 |
| Fixed income sales and trading | 1,485 | 1,609 | 1,434 | (8) | 4 | 3,094 | 3,462 | (11) |
| Equity sales and trading | 1,119 | 1,207 | 1,368 | (7) | (18) | 2,326 | 2,684 | (13) |
| **Total sales and trading** | **2,604** | **2,816** | **2,802** | (8) | (7) | **5,420** | **6,146** | (12) |
| Other | (121) | (84) | (105) | 44 | 15 | (205) | (195) | 5 |
| **Net revenues** | **3,395** | **3,563** | **3,604** | (5) | (6) | **6,958** | **7,621** | (9) |
| **Provision for credit losses** | **(5)** | **0** | **3** | – | – | **(5)** | **(4)** | 25 |
| **Total operating expenses** | **2,366** | **2,439** | **2,434** | (3) | (3) | **4,805** | **4,911** | (2) |
| **Income before taxes** | **1,034** | **1,124** | **1,167** | (8) | (11) | **2,158** | **2,714** | (20) |
| **Metrics (%)** | | | | | | | | |
| Return on capital | 18.5 | 20.5 | 19.1 | – | – | 19.5 | 23.3 | – |
| Cost/income ratio | 69.7 | 68.5 | 67.5 | – | – | 69.1 | 64.4 | – |

**Total operating expenses** of CHF 2,366 million decreased 3% in Swiss francs compared 2Q13. In US dollars operating expenses increased 4%, driven by higher deferred compensation expense, as new award accruals more than offset roll-offs from prior year awards. Investment Banking strategic businesses also had higher discretionary compensation expense reflecting a change in the variable compensation accrual methodology. The increases were partially offset by lower general and administrative expenses, driven by lower technology costs and lower UK bank levy expenses. Compared to 1Q14, total operating expenses decreased 3% in Swiss francs, reflecting lower deferred compensation expense from prior-year awards and lower discretionary compensation expense. Additionally, we had lower general and administrative expenses reflecting lower technology costs and lower UK bank levy expenses.

**Capital metrics** As of the end of 2Q14, Investment Banking strategic businesses reported Basel III risk-weighted assets of USD 168 billion, up USD 2 billion from 1Q14. Swiss leverage exposure in strategic businesses of USD 781 billion, reflected an increase of USD 5 billion from 1Q14.

## Non-strategic results

*Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.*

### Investment Banking – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **(53)** | **(147)** | **(204)** | (64) | (74) | **(200)** | **(276)** | (28) |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) | **0** | **2** | (100) |
| **Total operating expenses** | **229** | **150** | **208** | 53 | 10 | **379** | **382** | (1) |
| **Loss before taxes** | **(282)** | **(297)** | **(413)** | (5) | (32) | **(579)** | **(660)** | (12) |
| Risk-weighted assets – Basel III | 11,536 | 16,436 | 19,159 | (30) | (40) | 11,536 | 19,159 | (40) |

In 2Q14, Investment Banking accelerated the wind-down of the non-strategic unit, reducing Swiss leverage exposure by USD 3 billion and Basel III risk-weighted assets by USD 6 billion compared to 1Q14. The non-strategic businesses reported a loss before taxes of CHF 282 million and net revenue losses of CHF 53 million. Performance reflected portfolio net valuation gains and improved funding costs from proactive management of both legacy debt instruments and trading assets. Total operating expenses increased compared to both 2Q13 and 1Q14, driven by higher litigation provisions, primarily in connection with mortgage related matters.

As of the end of 2Q14, the Investment Banking non-strategic unit reported Basel III risk-weighted assets of USD 13 billion, down USD 7 billion, or 35%, from 2Q13. Additionally, the Investment Banking non-strategic unit reduced its Basel III risk-weighted assets by USD 6 billion or 32% from 1Q14. This compares to a risk-weighted assets target of USD 6 billion by year-end 2015. The non-strategic unit reported Swiss leverage exposure of USD 72 billion, a reduction of USD 21 billion, or 23%, from 2Q13 and a reduction of USD 3 billion, or 4%, from 1Q14. This compares to a target of USD 24 billion in Swiss leverage exposure by year-end 2015.

## Corporate Center

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

### Corporate Center

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Reported results (CHF million)** | | | | | | | | |
| **Net revenues** | **45** | **(187)** | **11** | – | 309 | **(142)** | **(194)** | (27) |
| **Provision for credit losses** | **0** | **1** | **1** | (100) | (100) | **1** | **1** | 0 |
| Compensation and benefits | 235 | 166 | 95 | 42 | 147 | 401 | 221 | 81 |
| Total other operating expenses | 183 | 85 | 46 | 115 | 298 | 268 | 91 | 195 |
| **Total operating expenses** | **418** | **251** | **141** | 67 | 196 | **669** | **312** | 114 |
| **Loss before taxes** | **(373)** | **(439)** | **(131)** | (15) | 185 | **(812)** | **(507)** | 60 |
| **Non-strategic results (CHF million)** | | | | | | | | |
| **Net revenues** | **48** | **(146)** | **52** | – | (8) | **(98)** | **(146)** | (33) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **272** | **144** | **88** | 89 | 209 | **416** | **170** | 145 |
| **Loss before taxes** | **(224)** | **(290)** | **(36)** | (23) | – | **(514)** | **(316)** | 63 |

The Corporate Center recorded a loss before taxes of CHF 373 million in 2Q14, including business realignment costs of CHF 136 million and IT architecture simplification expenses of CHF 81 million. 2Q14 results also included fair value losses on own debt of CHF 29 million, fair value gains on stand-alone derivatives of CHF 15 million and debit valuation adjustment gains on certain structured notes liabilities of CHF 4 million, resulting in overall fair value losses on own credit spreads of CHF 10 million in 2Q14. This compares to a loss before taxes of CHF 131 million in 2Q13 and a loss before taxes of CHF 439 million in 1Q14.

## Balance sheet, shareholders' equity and regulatory capital

### Balance sheet

As of the end of 2Q14, total assets of CHF 891.6 billion increased 2% compared to 1Q14, reflecting an increase in operating activities and the foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets increased CHF 10.3 billion.

### Total shareholders' equity

Credit Suisse's total shareholders' equity decreased to CHF 40.9 billion as of the end of 2Q14 compared to CHF 43.2 billion as of the end of 1Q14. Total shareholders' equity was negatively impacted by dividend payments, transactions relating to the settlement of share-based compensation awards and the net loss. These movements were partially offset by the increases to the share-based compensation obligation and the impact of foreign exchange-related movements on cumulative translation adjustments. As of the end of 2Q14, Credit Suisse had 1,607.2 million shares issued.

### BIS regulatory capital and ratios – Basel III

The CET1 ratio was 13.8% as of the end of 2Q14, compared to 14.3% as of the end of 1Q14, reflecting a decrease in CET1 capital. Credit Suisse's tier 1 ratio was 16.0% as of the end of 2Q14, compared to 15.6% as of the end of 1Q14. The total capital ratio increased to 19.5% as of the end of 2Q14 compared to 19.1% as of the end of 1Q14.

CET1 capital was CHF 39.5 billion as of the end of 2Q14 compared to CHF 40.9 billion as of the end of 1Q14, mainly reflecting the net loss and the net effect of share-based compensation. CET1 capital was also impacted by a quarterly dividend accrual.

Additional tier 1 capital increased to CHF 6.1 billion, mainly due to the issuance of USD 2.5 billion 6.25% tier 1 capital notes in June 2014. Tier 2 capital increased slightly to CHF 10.1 billion as of the end of 2Q14.

Total eligible capital was CHF 55.6 billion as of the end of 2Q14 compared to CHF 54.6 billion as of the end of 1Q14, reflecting the increase in additional tier 1 capital, partially offset by the decrease in CET1 capital.

As of the end of 2Q14, the Look-through CET1 ratio was 9.5% compared to an expected year-end ratio of over 10.0% and a long-term target of 11.0%.

#### Capital ratios – Basel III

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **2Q14** | 1Q14 | 4Q13 | **2Q14** | 1Q14 | 4Q13 |
| **BIS capital ratios (%)** | | | | | | |
| CET1 ratio | 13.8 | 14.3 | 15.7 | 9.5 | 10.0 | 10.0 |
| Tier 1 ratio | 16.0 | 15.6 | 16.8 | 13.1 | 12.8 | 12.8 |
| Total capital ratio | 19.5 | 19.1 | 20.6 | 15.4 | 15.1 | 15.1 |

### Swiss regulatory capital and ratios

As of the end of 2Q14, Swiss CET1 capital and Swiss total capital ratios were 13.7% and 19.4%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, Swiss CET1 capital was CHF 26.2 billion and the Swiss CET1 ratio was 9.4% as of the end of 2Q14. Swiss total eligible capital was CHF 42.9 billion and the Swiss total capital ratio was 15.3% as of the end of 2Q14, each on a look-through basis.

### Swiss leverage ratio

As of the end of 2Q14, the Swiss leverage ratio was 4.8% and total average exposure was CHF 1,159.2 billion. As of the end of 2Q14, Swiss total exposure was CHF 1,156 billion compared to Credit Suisse's long-term target of approximately CHF 1,000 billion. The Look-through Swiss leverage ratio was 3.7% as of the end of 2Q14, compared to the 4.0% requirement for 2019.

#### Swiss leverage ratio

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **2Q14** | 1Q14 | 4Q13 | **2Q14** | 1Q14 | 4Q13 |
| **Leverage ratios (%)** | | | | | | |
| Swiss leverage ratio | 4.8 | 4.8 | 5.1 | 3.7 | 3.7 | 3.7 |

## Quarterly results documentation

The **Results Presentation Slides** and the **Results Summary** are available for download from 06:30 CEST today at: https://www.credit-suisse.com/results

The **2Q14 Financial Report** will be available for download on or about July 31, 2014 at: https://www.credit-suisse.com/results

Hard copies of the **2Q14 Financial Report** may be ordered free of charge at: https://publications.credit-suisse.com/index.cfm/publikationen-shop/quarterly-reports/

**Presentation of 2Q14 – Tuesday, July 22, 2014**

| Event | Analyst and investor presentation | Media conference |
|---|---|---|
| **Time** | 08:30 Zurich<br>07:30 London<br>02:30 New York | 11:00 Zurich<br>10:00 London<br>05:00 New York<br>Credit Suisse Forum St. Peter,<br>St. Peterstrasse 19, Zurich |
| **Speakers** | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer |
| **Language** | The presentation will be held in English. | The presentation will be held in English.<br>Simultaneous interpreting (English/German) |
| **Access via Internet** | Audio webcast: www.credit-suisse.com/results<br>Audio playback available | Live webcast: www.credit-suisse.com/results<br>Video playback available |
| **Access via Telephone** | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results<br>Please dial in 10-15 minutes before the start of the presentation. | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results<br>Please dial in 10-15 minutes before the start of the presentation. |
| **Q&A Session** | Opportunity to ask questions via the telephone conference. | Opportunity to ask questions via the telephone conference. |
| **Playback** | Replay available approximately two hours after the event:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID: 71293897# | Replay available approximately two hours after the event:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID English: 71362658#<br>Conference ID German: 71371762# |

## Contacts

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## Important information

The Group has not finalized its 2Q14 Financial Report and the Group's independent registered public accounting firm has not completed its review of the condensed consolidated financial statements (unaudited) for the period. Accordingly, the financial information contained in this Earnings Release is subject to completion of quarter-end procedures, which may result in changes to that information. Certain reclassifications have been made to prior periods to conform to the current presentation.

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

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

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

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

Following a revision to the Swiss Liquidity Ordinance in June 2014 implementing Basel III Liquidity Coverage Ratio (LCR) rules, beginning in 2Q14, the majority of a portfolio of high-quality liquid assets previously recorded in the Corporate Center and managed by our Treasury function have been allocated to the business divisions. This allows for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements arising from the portfolio of assets. Prior periods have been restated for the related impact on assets and Swiss leverage exposures.

Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-strategic risk-weighted assets from reported shareholders' equity). Return on capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

Adjusted cost run-rates are non-GAAP financial measures. All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 2Q14 Results Presentation Slides.

The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions which is discussed above relates only to those proceedings for which the Group believes an estimate is possible and which are discussed in Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and updated in its quarterly reports (including the 2Q14 Financial Report that is scheduled to be released on July 31). It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. For additional details, see Note 38 to the Consolidated Financial Statements in the Group's Annual Report on Form 20-F and the litigation note in each of its quarterly Financial Reports.

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

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

# Appendix

## Key metrics

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | (700) | 859 | 1,045 | – | – | 159 | 2,348 | (93) |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | 153 | 2,351 | (93) |
| Basic earnings/(loss) per share from continuing operations (CHF) | (0.45) | 0.47 | 0.55 | – | – | 0.05 | 1.31 | (96) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | (0.45) | 0.47 | 0.53 | – | – | 0.05 | 1.28 | (96) |
| Return on equity attributable to shareholders (%) | (6.7) | 8.0 | 10.1 | – | – | 0.8 | 12.0 | – |
| Effective tax rate (%) | (88.7) | 31.2 | 28.7 | – | – | 60.8 | 27.6 | 120 |
| **Core Results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,433 | 6,469 | 6,830 | (1) | (6) | 12,902 | 13,848 | (7) |
| Provision for credit losses | 18 | 34 | 51 | (47) | (65) | 52 | 73 | (29) |
| Total operating expenses | 6,785 | 5,035 | 5,239 | 35 | 30 | 11,820 | 10,430 | 13 |
| Income/(loss) from continuing operations before taxes | (370) | 1,400 | 1,540 | – | – | 1,030 | 3,345 | (69) |
| Cost/income ratio (%) | 105.5 | 77.8 | 76.7 | – | – | 91.6 | 75.3 | – |
| Pre-tax income margin (%) | (5.8) | 21.6 | 22.5 | – | – | 8.0 | 24.2 | – |
| **Strategic results (CHF million, except where indicated)** | | | | | | | | |
| Net revenues | 6,324 | 6,553 | 6,795 | (3) | (7) | 12,877 | 13,813 | (7) |
| Income from continuing operations before taxes | 1,767 | 1,940 | 2,087 | (9) | (15) | 3,707 | 4,294 | (14) |
| Cost/income ratio (%) | 71.7 | 70.1 | 68.9 | – | – | 70.9 | 68.6 | – |
| Return on equity – strategic results (%) | 12.9 | 13.9 | 15.0 | – | – | 13.4 | 16.7 | – |
| **Non-strategic results (CHF million)** | | | | | | | | |
| Net revenues | 109 | (84) | 35 | – | 211 | 25 | 35 | (29) |
| Loss from continuing operations before taxes | (2,137) | (540) | (547) | 296 | 291 | (2,677) | (949) | 182 |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,319.6 | 1,281.1 | 1,245.4 | 3.0 | 6.0 | 1,319.6 | 1,245.4 | 6.0 |
| Net new assets from continuing operations | 10.7 | 14.7 | 8.7 | (27.2) | 23.0 | 25.4 | 23.1 | 10.0 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 891,580 | 878,090 | 919,903 | 2 | (3) | 891,580 | 919,903 | (3) |
| Net loans | 254,532 | 250,659 | 246,186 | 2 | 3 | 254,532 | 246,186 | 3 |
| Total shareholders' equity | 40,944 | 43,230 | 42,402 | (5) | (3) | 40,944 | 42,402 | (3) |
| Tangible shareholders' equity | 32,716 | 35,046 | 33,611 | (7) | (3) | 32,716 | 33,611 | (3) |
| **Basel III regulatory capital and leverage statistics** | | | | | | | | |
| Risk-weighted assets (CHF million) | 285,421 | 285,996 | – | 0 | – | 285,421 | – | – |
| CET1 ratio (%) | 13.8 | 14.3 | – | – | – | 13.8 | – | – |
| Look-through CET1 ratio (%) | 9.5 | 10.0 | – | – | – | 9.5 | – | – |
| Swiss leverage ratio (%) | 4.8 | 4.8 | – | – | – | 4.8 | – | – |
| Look-through Swiss leverage ratio (%) | 3.7 | 3.7 | – | – | – | 3.7 | – | – |
| **Share information** | | | | | | | | |
| Shares outstanding (million) | 1,600.0 | 1,587.2 | 1,592.0 | 1 | 1 | 1,600.0 | 1,592.0 | 1 |
| of which common shares issued | 1,607.2 | 1,596.1 | 1,594.3 | 1 | 1 | 1,607.2 | 1,594.3 | 1 |
| of which treasury shares | (7.2) | (8.9) | (2.3) | (19) | 213 | (7.2) | (2.3) | 213 |
| Book value per share (CHF) | 25.59 | 27.24 | 26.63 | (6) | (4) | 25.59 | 26.63 | (4) |
| Tangible book value per share (CHF) | 20.45 | 22.08 | 21.11 | (7) | (3) | 20.45 | 21.11 | (3) |
| Market capitalization (CHF million) | 40,758 | 45,633 | 39,937 | (11) | 2 | 40,758 | 39,937 | 2 |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

See relevant tables for additional information on these metrics.

## Credit Suisse

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,463** | **6,829** | **6,952** | (5) | (7) | **13,292** | **14,041** | (5) |
| **Provision for credit losses** | **18** | **34** | **51** | (47) | (65) | **52** | **73** | (29) |
| Compensation and benefits | 2,973 | 2,993 | 2,926 | (1) | 2 | 5,966 | 5,917 | 1 |
| General and administrative expenses | 3,441 | 1,690 | 1,873 | 104 | 84 | 5,131 | 3,605 | 42 |
| Commission expenses | 377 | 369 | 457 | 2 | (18) | 746 | 927 | (20) |
| Total other operating expenses | 3,818 | 2,059 | 2,330 | 85 | 64 | 5,877 | 4,532 | 30 |
| **Total operating expenses** | **6,791** | **5,052** | **5,256** | 34 | 29 | **11,843** | **10,449** | 13 |
| **Income/(loss) from continuing operations before taxes** | **(346)** | **1,743** | **1,645** | – | – | **1,397** | **3,519** | (60) |
| Income tax expense | 307 | 543 | 472 | (43) | (35) | 850 | 971 | (12) |
| **Income/(loss) from continuing operations** | **(653)** | **1,200** | **1,173** | – | – | **547** | **2,548** | (79) |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Net income/(loss)** | **(662)** | **1,215** | **1,164** | – | – | **553** | **2,545** | (78) |
| Net income attributable to noncontrolling interests | 38 | 356 | 119 | (89) | (68) | 394 | 197 | 100 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | – | – | **159** | **2,348** | (93) |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | 153 | 2,351 | (93) |
| of which from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | – | – | 0.05 | 1.31 | (96) |
| Basic earnings/(loss) per share | (0.46) | 0.48 | 0.54 | – | – | 0.05 | 1.31 | (96) |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | – | – | 0.05 | 1.28 | (96) |
| Diluted earnings/(loss) per share | (0.46) | 0.48 | 0.52 | – | – | 0.05 | 1.28 | (96) |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | (6.7) | 8.0 | 10.1 | – | – | 0.8 | 12.0 | – |
| Return on tangible equity attributable to shareholders [1] | (8.3) | 10.0 | 12.8 | – | – | 0.9 | 15.5 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

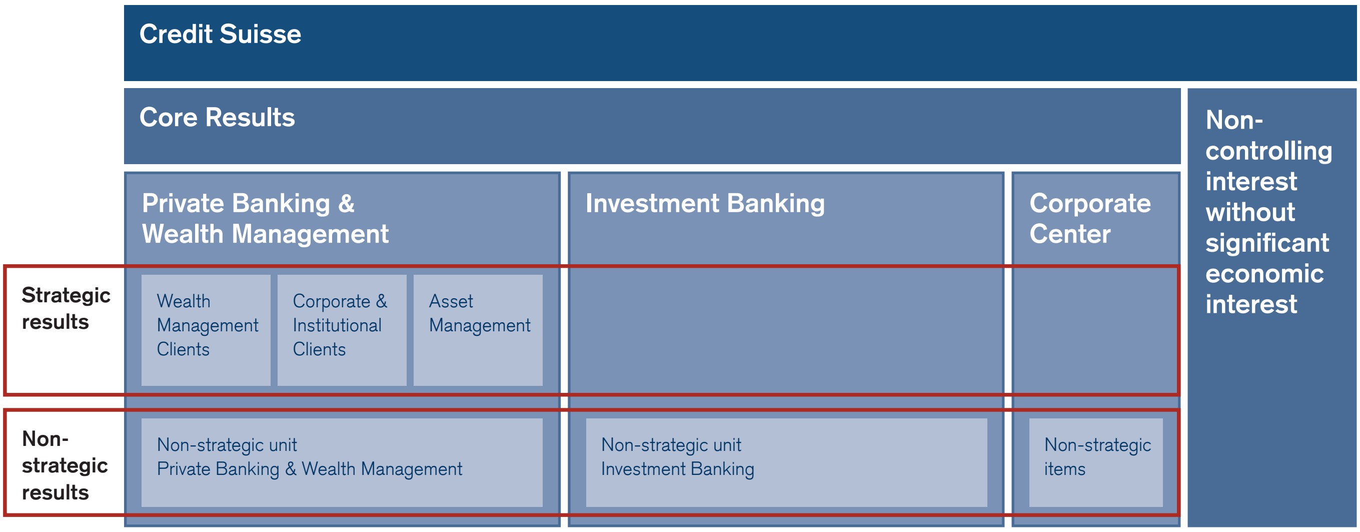
[1] Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders. Management believes that the return on tangible shareholders' equity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

## Credit Suisse and Core Results

| | Core Results | | | Noncontrolling interests without SEI | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,433** | **6,469** | **6,830** | **30** | **360** | **122** | **6,463** | **6,829** | **6,952** |
| **Provision for credit losses** | **18** | **34** | **51** | **0** | **0** | **0** | **18** | **34** | **51** |
| Compensation and benefits | 2,969 | 2,977 | 2,914 | 4 | 16 | 12 | 2,973 | 2,993 | 2,926 |
| General and administrative expenses | 3,439 | 1,689 | 1,868 | 2 | 1 | 5 | 3,441 | 1,690 | 1,873 |
| Commission expenses | 377 | 369 | 457 | 0 | 0 | 0 | 377 | 369 | 457 |
| Total other operating expenses | 3,816 | 2,058 | 2,325 | 2 | 1 | 5 | 3,818 | 2,059 | 2,330 |
| **Total operating expenses** | **6,785** | **5,035** | **5,239** | **6** | **17** | **17** | **6,791** | **5,052** | **5,256** |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | **24** | **343** | **105** | **(346)** | **1,743** | **1,645** |
| Income tax expense | 307 | 543 | 472 | 0 | 0 | 0 | 307 | 543 | 472 |
| **Income/(loss) from continuing operations** | **(677)** | **857** | **1,068** | **24** | **343** | **105** | **(653)** | **1,200** | **1,173** |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | 0 | 0 | 0 | (9) | 15 | (9) |
| **Net income/(loss)** | **(686)** | **872** | **1,059** | **24** | **343** | **105** | **(662)** | **1,215** | **1,164** |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 24 | 343 | 105 | 38 | 356 | 119 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **–** | **–** | **–** | **(700)** | **859** | **1,045** |
| of which from continuing operations | (691) | 844 | 1,054 | – | – | – | (691) | 844 | 1,054 |
| of which from discontinued operations | (9) | 15 | (9) | – | – | – | (9) | 15 | (9) |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 105.5 | 77.8 | 76.7 | – | – | – | 105.1 | 74.0 | 75.6 |
| Pre-tax income margin | (5.8) | 21.6 | 22.5 | – | – | – | (5.4) | 25.5 | 23.7 |
| Effective tax rate | (83.0) | 38.8 | 30.6 | – | – | – | (88.7) | 31.2 | 28.7 |
| Net income margin [1] | (10.9) | 13.3 | 15.3 | – | – | – | (10.8) | 12.6 | 15.0 |

[1] Based on amounts attributable to shareholders.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

## Core Results

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 2,590 | 2,183 | 2,638 | 19 | (2) | 4,773 | 4,439 | 8 |
| Commissions and fees | 3,311 | 3,276 | 3,544 | 1 | (7) | 6,587 | 6,798 | (3) |
| Trading revenues | 186 | 630 | 383 | (70) | (51) | 816 | 2,190 | (63) |
| Other revenues | 346 | 380 | 265 | (9) | 31 | 726 | 421 | 72 |
| **Net revenues** | **6,433** | **6,469** | **6,830** | (1) | (6) | **12,902** | **13,848** | (7) |
| of which strategic results | 6,324 | 6,553 | 6,795 | (3) | (7) | 12,877 | 13,813 | (7) |
| of which non-strategic results | 109 | (84) | 35 | – | 211 | 25 | 35 | (29) |
| **Provision for credit losses** | **18** | **34** | **51** | (47) | (65) | **52** | **73** | (29) |
| Compensation and benefits | 2,969 | 2,977 | 2,914 | 0 | 2 | 5,946 | 5,904 | 1 |
| General and administrative expenses | 3,439 | 1,689 | 1,868 | 104 | 84 | 5,128 | 3,599 | 42 |
| Commission expenses | 377 | 369 | 457 | 2 | (18) | 746 | 927 | (20) |
| Total other operating expenses | 3,816 | 2,058 | 2,325 | 85 | 64 | 5,874 | 4,526 | 30 |
| **Total operating expenses** | **6,785** | **5,035** | **5,239** | 35 | 30 | **11,820** | **10,430** | 13 |
| of which strategic results | 4,532 | 4,595 | 4,685 | (1) | (3) | 9,127 | 9,480 | (4) |
| of which non-strategic results | 2,253 | 440 | 554 | 412 | 307 | 2,693 | 950 | 183 |
| **Income/(loss) from continuing operations before taxes** | **(370)** | **1,400** | **1,540** | – | – | **1,030** | **3,345** | (69) |
| of which strategic results | 1,767 | 1,940 | 2,087 | (9) | (15) | 3,707 | 4,294 | (14) |
| of which non-strategic results | (2,137) | (540) | (547) | 296 | 291 | (2,677) | (949) | 182 |
| Income tax expense | 307 | 543 | 472 | (43) | (35) | 850 | 971 | (12) |
| **Income/(loss) from continuing operations** | **(677)** | **857** | **1,068** | – | – | **180** | **2,374** | (92) |
| Income/(loss) from discontinued operations | (9) | 15 | (9) | – | 0 | 6 | (3) | – |
| **Net income/(loss)** | **(686)** | **872** | **1,059** | – | – | **186** | **2,371** | (92) |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 8 | 0 | 27 | 23 | 17 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | – | – | **159** | **2,348** | (93) |
| of which strategic results | 1,282 | 1,398 | 1,455 | (8) | (12) | 2,680 | 3,034 | (12) |
| of which non-strategic results | (1,982) | (539) | (410) | 268 | 383 | (2,521) | (686) | 267 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | – | 14.4 | 14.6 | – | – | 5.3 | 16.5 | – |
| Cost/income ratio | 105.5 | 77.8 | 76.7 | – | – | 91.6 | 75.3 | – |
| Pre-tax income margin | (5.8) | 21.6 | 22.5 | – | – | 8.0 | 24.2 | – |
| Effective tax rate | (83.0) | 38.8 | 30.6 | – | – | 82.5 | 29.0 | – |
| Net income margin [2] | (10.9) | 13.3 | 15.3 | – | – | 1.2 | 17.0 | – |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity – strategic results | 12.9 | 13.9 | 15.0 | – | – | 13.4 | 16.7 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 45,100 | 45,600 | 46,300 | (1) | (3) | 45,100 | 46,300 | (3) |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Based on amounts attributable to shareholders.

## Core Results – strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 | **2Q14** | 1Q14 | 2Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,324** | **6,553** | **6,795** | **109** | **(84)** | **35** | **6,433** | **6,469** | **6,830** |
| **Provision for credit losses** | **25** | **18** | **23** | **(7)** | **16** | **28** | **18** | **34** | **51** |
| Compensation and benefits | 2,730 | 2,797 | 2,729 | 239 | 180 | 185 | 2,969 | 2,977 | 2,914 |
| Total other operating expenses | 1,802 | 1,798 | 1,956 | 2,014 | 260 | 369 | 3,816 | 2,058 | 2,325 |
| **Total operating expenses** | **4,532** | **4,595** | **4,685** | **2,253** | **440** | **554** | **6,785** | **5,035** | **5,239** |
| **Income/(loss) from continuing operations before taxes** | **1,767** | **1,940** | **2,087** | **(2,137)** | **(540)** | **(547)** | **(370)** | **1,400** | **1,540** |
| Income tax expense/(benefit) | 471 | 529 | 618 | (164) | 14 | (146) | 307 | 543 | 472 |
| **Income/(loss) from continuing operations** | **1,296** | **1,411** | **1,469** | **(1,973)** | **(554)** | **(401)** | **(677)** | **857** | **1,068** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | (9) | 15 | (9) | (9) | 15 | (9) |
| **Net income/(loss)** | **1,296** | **1,411** | **1,469** | **(1,982)** | **(539)** | **(410)** | **(686)** | **872** | **1,059** |
| Net income attributable to noncontrolling interests | 14 | 13 | 14 | 0 | 0 | 0 | 14 | 13 | 14 |
| **Net income/(loss) attributable to shareholders** | **1,282** | **1,398** | **1,455** | **(1,982)** | **(539)** | **(410)** | **(700)** | **859** | **1,045** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 260,901 | 255,697 | 254,826 | 18,268 | 23,997 | 26,517 | 279,169 | 279,694 | 281,343 |
| Total assets | 850,815 | 835,281 | 863,110 | 39,464 | 41,518 | 52,526 | 890,279 | 876,799 | 915,636 |
| Swiss leverage exposure | 1,075,558 | 1,054,487 | 1,146,478 | 80,476 | 85,130 | 111,975 | 1,156,034 | 1,139,617 | 1,258,453 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Private Banking & Wealth Management

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,046** | **3,240** | **3,419** | (6) | (11) | **6,286** | **6,697** | (6) |
| of which strategic results | 2,932 | 3,031 | 3,232 | (3) | (9) | 5,963 | 6,240 | (4) |
| of which non-strategic results | 114 | 209 | 187 | (45) | (39) | 323 | 457 | (29) |
| **Provision for credit losses** | **23** | **33** | **46** | (30) | (50) | **56** | **74** | (24) |
| Compensation and benefits | 1,235 | 1,290 | 1,353 | (4) | (9) | 2,525 | 2,732 | (8) |
| General and administrative expenses | 2,367 | 736 | 893 | 222 | 165 | 3,103 | 1,684 | 84 |
| Commission expenses | 170 | 169 | 210 | 1 | (19) | 339 | 409 | (17) |
| Total other operating expenses | 2,537 | 905 | 1,103 | 180 | 130 | 3,442 | 2,093 | 64 |
| **Total operating expenses** | **3,772** | **2,195** | **2,456** | 72 | 54 | **5,967** | **4,825** | 24 |
| of which strategic results | 2,020 | 2,049 | 2,198 | (1) | (8) | 4,069 | 4,427 | (8) |
| of which non-strategic results | 1,752 | 146 | 258 | – | – | 1,898 | 398 | 377 |
| **Income/(loss) before taxes** | **(749)** | **1,012** | **917** | – | – | **263** | **1,798** | (85) |
| of which strategic results | 882 | 965 | 1,015 | (9) | (13) | 1,847 | 1,771 | 4 |
| of which non-strategic results | (1,631) | 47 | (98) | – | – | (1,584) | 27 | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | – | 31.0 | 28.0 | – | – | 4.0 | 28.6 | – |
| Cost/income ratio | 123.8 | 67.7 | 71.8 | – | – | 94.9 | 72.0 | – |
| Pre-tax income margin | (24.6) | 31.2 | 26.8 | – | – | 4.2 | 26.8 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,329.7 | 1,292.5 | 1,296.6 | 2.9 | 2.6 | 1,329.7 | 1,296.6 | 2.6 |
| Net new assets | 10.1 | 13.7 | 7.6 | (26.3) | 32.9 | 23.8 | 19.6 | 21.4 |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 25,800 | 26,100 | 26,500 | (1) | (3) | 25,800 | 26,500 | (3) |
| Number of relationship managers | 4,340 | 4,410 | 4,490 | (2) | (3) | 4,340 | 4,490 | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 28% in 6M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Private Banking & Wealth Management (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 970 | 979 | 1,079 | (1) | (10) | 1,949 | 2,124 | (8) |
| Recurring commissions and fees | 1,184 | 1,189 | 1,270 | 0 | (7) | 2,373 | 2,489 | (5) |
| Transaction- and performance-based revenues | 885 | 937 | 1,064 | (6) | (17) | 1,822 | 1,983 | (8) |
| Other revenues [1] | 7 | 135 | 6 | (95) | 17 | 142 | 101 | 41 |
| **Net revenues** | **3,046** | **3,240** | **3,419** | (6) | (11) | **6,286** | **6,697** | (6) |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 59 | 53 | 88 | 11 | (33) | 112 | 140 | (20) |
| Releases of provisions | (36) | (20) | (42) | 80 | (14) | (56) | (66) | (15) |
| **Provision for credit losses** | **23** | **33** | **46** | (30) | (50) | **56** | **74** | (24) |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

## Private Banking & Wealth Management – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 954 | 963 | 1,054 | (1) | (9) | 1,917 | 2,073 | (8) |
| Recurring commissions and fees | 1,136 | 1,139 | 1,155 | 0 | (2) | 2,275 | 2,256 | 1 |
| Transaction- and performance-based revenues | 865 | 919 | 1,033 | (6) | (16) | 1,784 | 1,907 | (6) |
| Other revenues | (23) | 10 | (10) | – | 130 | (13) | 4 | – |
| **Net revenues** | **2,932** | **3,031** | **3,232** | (3) | (9) | **5,963** | **6,240** | (4) |
| New provisions | 49 | 36 | 61 | 36 | (20) | 85 | 108 | (21) |
| Releases of provisions | (19) | (19) | (42) | 0 | (55) | (38) | (66) | (42) |
| **Provision for credit losses** | **30** | **17** | **19** | 76 | 58 | **47** | **42** | 12 |
| Compensation and benefits | 1,184 | 1,225 | 1,273 | (3) | (7) | 2,409 | 2,580 | (7) |
| General and administrative expenses | 672 | 660 | 726 | 2 | (7) | 1,332 | 1,462 | (9) |
| Commission expenses | 164 | 164 | 199 | 0 | (18) | 328 | 385 | (15) |
| Total other operating expenses | 836 | 824 | 925 | 1 | (10) | 1,660 | 1,847 | (10) |
| **Total operating expenses** | **2,020** | **2,049** | **2,198** | (1) | (8) | **4,069** | **4,427** | (8) |
| **Income before taxes** | **882** | **965** | **1,015** | (9) | (13) | **1,847** | **1,771** | 4 |
| of which Wealth Management Clients | 569 | 578 | 621 | (2) | (8) | 1,147 | 1,075 | 7 |
| of which Corporate & Institutional Clients | 211 | 246 | 262 | (14) | (19) | 457 | 501 | (9) |
| of which Asset Management | 102 | 141 | 132 | (28) | (23) | 243 | 195 | 25 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 28.0 | 31.6 | 33.5 | – | – | 29.8 | 30.3 | – |
| Cost/income ratio | 68.9 | 67.6 | 68.0 | – | – | 68.2 | 70.9 | – |
| Pre-tax income margin | 30.1 | 31.8 | 31.4 | – | – | 31.0 | 28.4 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 96,805 | 93,522 [2] | 91,479 | 4 | 6 | 96,805 [2] | 91,479 | 6 |
| Total assets | 306,919 | 306,228 | 285,786 | 0 | 7 | 306,919 | 285,786 | 7 |
| Swiss leverage exposure | 340,047 | 337,005 | 321,395 | 1 | 6 | 340,047 | 321,395 | 6 |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 28% in 6M13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Includes the impact from external methodology changes in operational risk of CHF 2.2 billion in 1Q14.

## Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,017** | **2,074** | **2,239** | (3) | (10) | **4,091** | **4,326** | (5) |
| **Provision for credit losses** | **17** | **16** | **20** | 6 | (15) | **33** | **39** | (15) |
| **Total operating expenses** | **1,431** | **1,480** | **1,598** | (3) | (10) | **2,911** | **3,212** | (9) |
| **Income before taxes** | **569** | **578** | **621** | (2) | (8) | **1,147** | **1,075** | 7 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 70.9 | 71.4 | 71.4 | – | – | 71.2 | 74.2 | – |
| Pre-tax income margin | 28.2 | 27.9 | 27.7 | – | – | 28.0 | 24.8 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 688 | 706 | 778 | (3) | (12) | 1,394 | 1,524 | (9) |
| Recurring commissions and fees | 728 | 730 | 750 | 0 | (3) | 1,458 | 1,467 | (1) |
| Transaction- and performance-based revenues | 601 | 638 | 711 | (6) | (15) | 1,239 | 1,335 | (7) |
| **Net revenues** | **2,017** | **2,074** | **2,239** | (3) | (10) | **4,091** | **4,326** | (5) |
| **Gross and net margin (annualized) (bp)** | | | | | | | | |
| Net interest income | 34 | 35 | 39 | – | – | 34 | 39 | – |
| Recurring commissions and fees | 36 | 37 | 37 | – | – | 36 | 37 | – |
| Transaction- and performance-based revenues | 29 | 32 | 36 | – | – | 31 | 34 | – |
| **Gross margin** [1] | **99** | **104** | **112** | – | – | **101** | **110** | – |
| **Net margin** [2] | **28** | **29** | **31** | – | – | **28** | **27** | – |
| **Number of relationship managers** | | | | | | | | |
| Switzerland | 1,680 | 1,690 | 1,600 | (1) | 5 | 1,680 | 1,600 | 5 |
| EMEA | 1,110 | 1,150 | 1,260 | (3) | (12) | 1,110 | 1,260 | (12) |
| Americas | 540 | 560 | 610 | (4) | (11) | 540 | 610 | (11) |
| Asia Pacific | 470 | 460 | 450 | 2 | 4 | 470 | 450 | 4 |
| **Number of relationship managers** | **3,800** | **3,860** | **3,920** | **(2)** | **(3)** | **3,800** | **3,920** | **(3)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

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

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

## Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **475** | **492** | **512** | (3) | (7) | **967** | **1,012** | (4) |
| **Provision for credit losses** | **13** | **1** | **(1)** | – | – | **14** | **3** | 367 |
| **Total operating expenses** | **251** | **245** | **251** | 2 | 0 | **496** | **508** | (2) |
| **Income before taxes** | **211** | **246** | **262** | (14) | (19) | **457** | **501** | (9) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 52.8 | 49.8 | 49.0 | – | – | 51.3 | 50.2 | – |
| Pre-tax income margin | 44.4 | 50.0 | 51.2 | – | – | 47.3 | 49.5 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 266 | 257 | 276 | 4 | (4) | 523 | 549 | (5) |
| Recurring commissions and fees | 113 | 122 | 115 | (7) | (2) | 235 | 226 | 4 |
| Transaction- and performance-based revenues | 118 | 117 | 127 | 1 | (7) | 235 | 248 | (5) |
| Other revenues [1] | (22) | (4) | (6) | 450 | 267 | (26) | (11) | 136 |
| **Net revenues** | **475** | **492** | **512** | (3) | (7) | **967** | **1,012** | (4) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 540 | 550 | 570 | (2) | (5) | 540 | 570 | (5) |

[1] Reflects fair value gains/(losses) on the Clock Finance transaction.

## Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **338** | **324** | **349** | 4 | (3) | **662** | **707** | (6) |
| **Income before taxes** | **102** | **141** | **132** | (28) | (23) | **243** | **195** | 25 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.8 | 69.7 | 72.6 | – | – | 73.1 | 78.4 | – |
| Pre-tax income margin | 23.2 | 30.3 | 27.4 | – | – | 26.9 | 21.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 295 | 287 | 290 | 3 | 2 | 582 | 563 | 3 |
| Transaction- and performance-based revenues | 146 | 164 | 195 | (11) | (25) | 310 | 324 | (4) |
| Other revenues | (1) | 14 | (4) | – | (75) | 13 | 15 | (13) |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 295 | 287 | 290 | 3 | 2 | 582 | 563 | 3 |
| Placement, transaction and other fees | 59 | 56 | 47 | 5 | 26 | 115 | 107 | 7 |
| Performance fees and carried interest | 59 | 80 | 120 | (26) | (51) | 139 | 164 | (15) |
| Equity participations income | 15 | 15 | 10 | 0 | 50 | 30 | 20 | 50 |
| Fee-based revenues | 428 | 438 | 467 | (2) | (8) | 866 | 854 | 1 |
| Investment-related gains/(losses) | 6 | 19 | 2 | (68) | 200 | 25 | 35 | (29) |
| Equity participations and other gains/(losses) | 3 | 0 | 0 | – | – | 3 | 0 | – |
| Other revenues [1] | 3 | 8 | 12 | (63) | (75) | 11 | 13 | (15) |
| **Net revenues** | **440** | **465** | **481** | (5) | (9) | **905** | **902** | 0 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 46 | 49 | 53 | – | – | 48 | 50 | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **114** | **209** | **187** | (45) | (39) | **323** | **457** | (29) |
| **Provision for credit losses** | **(7)** | **16** | **27** | – | – | **9** | **32** | (72) |
| Compensation and benefits | 51 | 65 | 80 | (22) | (36) | 116 | 152 | (24) |
| Total other operating expenses | 1,701 | 81 | 178 | – | – | 1,782 | 246 | – |
| **Total operating expenses** | **1,752** | **146** | **258** | – | – | **1,898** | **398** | 377 |
| **Income/(loss) before taxes** | **(1,631)** | **47** | **(98)** | – | – | **(1,584)** | **27** | – |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 22 | 22 | 37 | 0 | (41) | 44 | 111 | (60) |
| Legacy cross-border business and small markets | 41 | 44 | 51 | (7) | (20) | 85 | 102 | (17) |
| Restructuring of former Asset Management division | 38 | 134 | 81 | (72) | (53) | 172 | 192 | (10) |
| Other | 13 | 9 | 18 | 44 | (28) | 22 | 52 | (58) |
| **Net revenues** | **114** | **209** | **187** | (45) | (39) | **323** | **457** | (29) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 6,732 | 7,561 | 7,358 | (11) | (9) | 6,732 | 7,358 | (9) |
| Total assets | 15,750 | 17,856 | 22,783 | (12) | (31) | 15,750 | 22,783 | (31) |
| Swiss leverage exposure | 16,691 | 18,609 | 23,871 | (10) | (30) | 16,691 | 23,871 | (30) |

## Investment Banking

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,342** | **3,416** | **3,400** | (2) | (2) | **6,758** | **7,345** | (8) |
| of which strategic results | 3,395 | 3,563 | 3,604 | (5) | (6) | 6,958 | 7,621 | (9) |
| of which non-strategic results | (53) | (147) | (204) | (64) | (74) | (200) | (276) | (28) |
| **Provision for credit losses** | **(5)** | **0** | **4** | – | – | **(5)** | **(2)** | 150 |
| Compensation and benefits | 1,499 | 1,521 | 1,466 | (1) | 2 | 3,020 | 2,951 | 2 |
| General and administrative expenses | 889 | 856 | 934 | 4 | (5) | 1,745 | 1,849 | (6) |
| Commission expenses | 207 | 212 | 242 | (2) | (14) | 419 | 493 | (15) |
| Total other operating expenses | 1,096 | 1,068 | 1,176 | 3 | (7) | 2,164 | 2,342 | (8) |
| **Total operating expenses** | **2,595** | **2,589** | **2,642** | 0 | (2) | **5,184** | **5,293** | (2) |
| of which strategic results | 2,366 | 2,439 | 2,434 | (3) | (3) | 4,805 | 4,911 | (2) |
| of which non-strategic results | 229 | 150 | 208 | 53 | 10 | 379 | 382 | (1) |
| **Income before taxes** | **752** | **827** | **754** | (9) | 0 | **1,579** | **2,054** | (23) |
| of which strategic results | 1,034 | 1,124 | 1,167 | (8) | (11) | 2,158 | 2,714 | (20) |
| of which non-strategic results | (282) | (297) | (413) | (5) | (32) | (579) | (660) | (12) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 12.3 | 13.6 | 11.0 | – | – | 13.0 | 15.8 | – |
| Cost/income ratio | 77.6 | 75.8 | 77.7 | – | – | 76.7 | 72.1 | – |
| Pre-tax income margin | 22.5 | 24.2 | 22.2 | – | – | 23.4 | 28.0 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,000 | 19,200 | 19,500 | (1) | (3) | 19,000 | 19,500 | (3) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking (continued)

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 468 | 535 | 3 | (10) | 951 | 996 | (5) |
| Equity underwriting | 268 | 183 | 207 | 46 | 29 | 451 | 364 | 24 |
| Total underwriting | 751 | 651 | 742 | 15 | 1 | 1,402 | 1,360 | 3 |
| Advisory and other fees | 161 | 180 | 167 | (11) | (4) | 341 | 312 | 9 |
| **Total underwriting and advisory** | **912** | **831** | **909** | 10 | 0 | **1,743** | **1,672** | 4 |
| Fixed income sales and trading | 1,428 | 1,489 | 1,257 | (4) | 14 | 2,917 | 3,244 | (10) |
| Equity sales and trading | 1,134 | 1,201 | 1,338 | (6) | (15) | 2,335 | 2,635 | (11) |
| **Total sales and trading** | **2,562** | **2,690** | **2,595** | (5) | (1) | **5,252** | **5,879** | (11) |
| Other | (132) | (105) | (104) | 26 | 27 | (237) | (206) | 15 |
| **Net revenues** | **3,342** | **3,416** | **3,400** | (2) | (2) | **6,758** | **7,345** | – |

## Investment Banking – strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 468 | 534 | 3 | (10) | 951 | 995 | (4) |
| Equity underwriting | 268 | 183 | 206 | 46 | 30 | 451 | 363 | 24 |
| Total underwriting | 751 | 651 | 740 | 15 | 1 | 1,402 | 1,358 | 3 |
| Advisory and other fees | 161 | 180 | 167 | (11) | (4) | 341 | 312 | 9 |
| **Total underwriting and advisory** | **912** | **831** | **907** | 10 | 1 | **1,743** | **1,670** | 4 |
| Fixed income sales and trading | 1,485 | 1,609 | 1,434 | (8) | 4 | 3,094 | 3,462 | (11) |
| Equity sales and trading | 1,119 | 1,207 | 1,368 | (7) | (18) | 2,326 | 2,684 | (13) |
| **Total sales and trading** | **2,604** | **2,816** | **2,802** | (8) | (7) | **5,420** | **6,146** | (12) |
| Other | (121) | (84) | (105) | 44 | 15 | (205) | (195) | 5 |
| **Net revenues** | **3,395** | **3,563** | **3,604** | (5) | (6) | **6,958** | **7,621** | (9) |
| **Provision for credit losses** | **(5)** | **0** | **3** | – | – | **(5)** | **(4)** | 25 |
| Compensation and benefits | 1,476 | 1,495 | 1,438 | (1) | 3 | 2,971 | 2,897 | 3 |
| General and administrative expenses | 688 | 735 | 758 | (6) | (9) | 1,423 | 1,534 | (7) |
| Commission expenses | 202 | 209 | 238 | (3) | (15) | 411 | 480 | (14) |
| Total other operating expenses | 890 | 944 | 996 | (6) | (11) | 1,834 | 2,014 | (9) |
| **Total operating expenses** | **2,366** | **2,439** | **2,434** | (3) | (3) | **4,805** | **4,911** | (2) |
| **Income before taxes** | **1,034** | **1,124** | **1,167** | (8) | (11) | **2,158** | **2,714** | (20) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on capital [1] | 18.5 | 20.5 | 19.1 | – | – | 19.5 | 23.3 | – |
| Cost/income ratio | 69.7 | 68.5 | 67.5 | – | – | 69.1 | 64.4 | – |
| Pre-tax income margin | 30.5 | 31.5 | 32.4 | – | – | 31.0 | 35.6 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 148,663 | 146,276 | 147,028 | 2 | 1 | 148,663 | 147,028 | 1 |
| Risk-weighted assets – Basel III (USD) | 167,639 | 165,592 | 155,397 | 1 | 8 | 167,639 | 155,397 | 8 |
| Total assets | 501,387 | 497,833 | 545,472 | 1 | (8) | 501,387 | 545,472 | (8) |
| Swiss leverage exposure | 692,836 | 685,298 | 780,563 | 1 | (11) | 692,836 | 780,563 | (11) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 2Q14, 1Q14, 2Q13, 6M14 and 27% in 6M13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(53)** | **(147)** | **(204)** | (64) | (74) | **(200)** | **(276)** | (28) |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) | **0** | **2** | (100) |
| Compensation and benefits | 23 | 26 | 28 | (12) | (18) | 49 | 54 | (9) |
| Total other operating expenses | 206 | 124 | 180 | 66 | 14 | 330 | 328 | 1 |
| of which litigation | 157 | 65 | 128 | 142 | 23 | 222 | 228 | (3) |
| **Total operating expenses** | **229** | **150** | **208** | 53 | 10 | **379** | **382** | (1) |
| **Loss before taxes** | **(282)** | **(297)** | **(413)** | (5) | (32) | **(579)** | **(660)** | (12) |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | (44) | (55) | (32) | (20) | 38 | (99) | (26) | 281 |
| Legacy rates business | 5 | (26) | (7) | – | – | (21) | 21 | – |
| Legacy funding costs | (35) | (46) | (98) | (24) | (64) | (81) | (194) | (58) |
| Other | 21 | (20) | (67) | – | – | 1 | (77) | – |
| **Net revenues** | **(53)** | **(147)** | **(204)** | (64) | (74) | **(200)** | **(276)** | (28) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 11,536 | 16,436 | 19,159 | (30) | (40) | 11,536 | 19,159 | (40) |
| Risk-weighted assets – Basel III (USD) | 13,009 | 18,607 | 20,249 | (30) | (36) | 13,009 | 20,249 | (36) |
| Total assets | 23,714 | 23,662 | 29,743 | 0 | (20) | 23,714 | 29,743 | (20) |
| Swiss leverage exposure | 63,785 | 66,521 | 88,104 | (4) | (28) | 63,785 | 88,104 | (28) |

## Corporate Center results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **45** | **(187)** | **11** | – | 309 | **(142)** | **(194)** | (27) |
| **Provision for credit losses** | **0** | **1** | **1** | (100) | (100) | **1** | **1** | 0 |
| Compensation and benefits | 235 | 166 | 95 | 42 | 147 | 401 | 221 | 81 |
| General and administrative expenses | 183 | 97 | 41 | 89 | 346 | 280 | 66 | 324 |
| Commission expenses | 0 | (12) | 5 | 100 | (100) | (12) | 25 | – |
| Total other operating expenses | 183 | 85 | 46 | 115 | 298 | 268 | 91 | 195 |
| **Total operating expenses** | **418** | **251** | **141** | 67 | 196 | **669** | **312** | 114 |
| **Loss before taxes** | **(373)** | **(439)** | **(131)** | (15) | 185 | **(812)** | **(507)** | 60 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 15,433 | 15,899 | 16,319 | (3) | (5) | 15,433 | 16,319 | (5) |
| Total assets | 42,509 | 31,220 | 31,852 | 36 | 33 | 42,509 | 31,852 | 33 |
| Swiss leverage exposure | 42,675 | 32,184 | 44,520 | 33 | (4) | 42,675 | 44,520 | (4) |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Corporate Center – non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 2Q13 | QoQ | YoY | **6M14** | 6M13 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **48** | **(146)** | **52** | – | (8) | **(98)** | **(146)** | (33) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **272** | **144** | **88** | 89 | 209 | **416** | **170** | 145 |
| **Loss before taxes** | **(224)** | **(290)** | **(36)** | (23) | – | **(514)** | **(316)** | 63 |
| of which fair value impact from movements in own credit spreads | (10) | (120) | 130 | (92) | – | (130) | 50 | – |
| of which realignment costs [1] | (136) | (62) | (133) | 119 | 2 | (198) | (225) | (12) |
| of which IT architecture simplification expenses | (81) | (61) | (19) | 33 | 326 | (142) | (19) | – |
| of which real estate sales | 5 | 34 | – | (85) | – | 39 | – | – |
| of which legacy funding costs [2] | (22) | (6) | (22) | 267 | – | (28) | (43) | (35) |
| of which reclassifications to discontinued operations [3] | 10 | (56) | 5 | – | 100 | (46) | (12) | 283 |
| of which other non-strategic items | 10 | (19) | 3 | – | 233 | (9) | (67) | (87) |

[1] Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
[2] Represents legacy funding costs associated with non-Basel III compliant debt instruments.
[3] Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and CFIG businesses and the announced sale of domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **(10)** | **(120)** | **130** | **(130)** | **50** |
| of which fair value gains/(losses) on own long-term vanilla debt | (29) | (92) | 17 | (121) | (20) |
| of which fair value gains/(losses) from DVA on structured notes | 4 | (4) | 79 | 0 | 38 |
| of which fair value gains/(losses) on stand-alone derivatives | 15 | (24) | 34 | (9) | 32 |

## Assets under management – Group

| | end of | | | | % change | | |
|---|---|---|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | 2Q13 | QoQ | Ytd | YoY |
| **Assets under management (CHF billion)** | | | | | | | |
| Wealth Management Clients | 829.7 | 804.9 | 790.7 | 782.3 | 3.1 | 4.9 | 6.1 |
| Corporate & Institutional Clients | 261.4 | 254.4 | 250.0 | 238.3 | 2.8 | 4.6 | 9.7 |
| Asset Management | 377.1 | 363.4 | 352.3 | 346.1 | 3.8 | 7.0 | 9.0 |
| Non-strategic | 25.9 | 25.9 | 44.4 | 83.8 | 0.0 | (41.7) | (69.1) |
| Assets managed across businesses [1] | (164.4) | (156.1) | (155.0) | (153.9) | 5.3 | 6.1 | 6.8 |
| **Assets under management** | **1,329.7** | **1,292.5** | **1,282.4** | **1,296.6** | **2.9** | **3.7** | **2.6** |
| of which continuing operations | 1,319.6 | 1,281.1 | 1,253.4 | 1,245.4 | 3.0 | 5.3 | 6.0 |
| of which discontinued operations | 10.1 | 11.4 | 29.0 | 51.2 | (11.4) | (65.2) | (80.3) |
| **Assets under management from continuing operations** | **1,319.6** | **1,281.1** | **1,253.4** | **1,245.4** | **3.0** | **5.3** | **6.0** |
| of which discretionary assets | 421.0 | 410.7 | 397.6 | 387.6 | 2.5 | 5.9 | 8.6 |
| of which advisory assets | 898.6 | 870.4 | 855.8 | 857.8 | 3.2 | 5.0 | 4.8 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets – Group

| in | **2Q14** | 1Q14 | 2Q13 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Wealth Management Clients | 7.4 | 10.6 | 7.7 |
| Corporate & Institutional Clients | 0.6 | 0.4 | (0.2) |
| Asset Management | 4.1 | 6.9 | 2.6 |
| Non-strategic | (1.7) | (2.3) | (1.4) |
| Assets managed across businesses [1] | (0.3) | (1.9) | (1.1) |
| **Net new assets** | **10.1** | **13.7** | **7.6** |
| of which continuing operations | 10.7 | 14.7 | 8.7 |
| of which discontinued operations | (0.6) | (1.0) | (1.1) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## BIS statistics – Basel III – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 2Q14 | 1Q14 | 4Q13 | % change QoQ | 2Q14 | 1Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 40,944 | 43,230 | 42,164 | (5) | 40,944 | 43,230 | 42,164 | (5) |
| Regulatory adjustments [1] | (362) | (1,213) | (1,069) | (70) | (362) | (1,213) | (1,069) | (70) |
| Adjustments subject to phase-in | (1,129) [2] | (1,114) | 1,894 [3] | 1 | (14,163) | (14,159) | (14,615) | 0 |
| **CET1 capital** | **39,453** | **40,903** | **42,989** | (4) | **26,419** | **27,858** | **26,480** | (5) |
| Additional tier 1 instruments | 10,282 [4] | 8,000 | 7,484 | 29 | 10,282 | 8,000 | 7,484 | 29 |
| Additional tier 1 instruments subject to phase-out [5] | 2,138 | 2,088 | 3,652 | 2 | – | – | – | – |
| Deductions from additional tier 1 capital | (6,336) [6] | (6,414) | (8,064) | (1) | – | – | – | – |
| **Additional tier 1 capital** | **6,084** | **3,674** | **3,072** | 66 | **10,282** | **8,000** | **7,484** | 29 |
| **Total tier 1 capital** | **45,537** | **44,577** | **46,061** | 2 | **36,701** | **35,858** | **33,964** | 2 |
| Tier 2 instruments | 6,409 [7] | 6,340 | 6,263 | 1 | 6,409 | 6,340 | 6,263 | 1 |
| Tier 2 instruments subject to phase-out | 3,944 | 3,924 | 4,321 | 1 | – | – | – | – |
| Deductions from tier 2 capital | (253) | (263) | (357) | (4) | (1) | (2) | (18) | (50) |
| **Tier 2 capital** | **10,100** | **10,001** | **10,227** | 1 | **6,408** | **6,338** | **6,245** | 1 |
| **Total eligible capital** | **55,637** | **54,578** | **56,288** | 2 | **43,109** | **42,196** | **40,209** | 2 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 187,967 | 187,609 | 175,631 | 0 | 181,715 | 181,307 | 167,888 | 0 |
| Market risk | 32,704 | 34,143 | 39,133 | (4) | 32,704 | 34,143 | 39,133 | (4) |
| Operational risk | 59,050 | 58,400 | 53,075 | 1 | 59,050 | 58,400 | 53,075 | 1 |
| Non-counterparty risk | 5,700 | 5,844 | 6,007 | (2) | 5,700 | 5,844 | 6,007 | (2) |
| **Risk-weighted assets** | **285,421** | **285,996** | **273,846** | 0 | **279,169** | **279,694** | **266,103** | 0 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 13.8 | 14.3 | 15.7 | – | 9.5 | 10.0 | 10.0 | – |
| Tier 1 ratio | 16.0 | 15.6 | 16.8 | – | 13.1 | 12.8 | 12.8 | – |
| Total capital ratio | 19.5 | 19.1 | 20.6 | – | 15.4 | 15.1 | 15.1 | – |

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.5 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 80% of goodwill and other intangible assets (CHF 6.5 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
7 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.9 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## CET1 capital movement – Basel III

| | 2Q14 | 1Q14 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **40,903** | **42,989** |
| Net income/(loss) | (700) | 859 |
| Foreign exchange impact | 44 | (233) |
| Impact of phase-in requirements | – | (3,015) |
| Other [1] | (794) | 303 |
| **Balance at end of period** | **39,453** | **40,903** |

1 Reflects the net effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

## Risk-weighted assets by division – Basel III

| | | | end of | % change |
|---|---|---|---|---|
| | **2Q14** | 1Q14 | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | | |
| Private Banking & Wealth Management | 103,537 | 101,083 | 95,507 | 2 |
| Investment Banking | 160,199 | 162,712 | 155,290 | (2) |
| Corporate Center | 21,685 | 22,201 | 23,049 | (2) |
| **Risk-weighted assets** | **285,421** | **285,996** | **273,846** | 0 |

## Risk-weighted asset movement by risk type – Basel III

| | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **2Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **171,067** | **16,542** | **34,143** | **58,400** | **5,844** | **285,996** |
| Foreign exchange impact | 615 | 97 | 263 | 0 | 0 | 975 |
| Movements in risk levels | (1,168) | (2,518) | (406) | 0 | (144) | (4,236) |
| Model and parameter updates [1] | 376 | (565) | (853) | 3,337 | 0 | 2,295 |
| Methodology and policy – internal [2] | 3,167 | 354 | (443) | (2,062) | 0 | 1,016 |
| Methodology and policy – external [3] | 0 | 0 | 0 | (625) | 0 | (625) |
| **Balance at end of period** | **174,057** | **13,910** | **32,704** | **59,050** | **5,700** | **285,421** |

[1] Represents movements arising from updates to models and recalibrations of parameters.
[2] Represents internal changes impacting how exposures are treated.
[3] Represents externally prescribed regulatory changes impacting how exposures are treated.

## Swiss statistics – Basel III – Group

| | | | | **Phase-in** | | | | **Look-through** |
|---|---|---|---|---|---|---|---|---|
| | | | | % change | | | | % change |
| end of | **2Q14** | 1Q14 | 4Q13 | QoQ | **2Q14** | 1Q14 | 4Q13 | QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 39,453 | 40,903 | 42,989 | (4) | 26,419 | 27,858 | 26,480 | (5) |
| Swiss regulatory adjustments [1] | (161) | (151) | 1,658 | 7 | (175) | (163) | 1,824 | 7 |
| **Swiss CET1 capital [2]** | **39,292** | **40,752** | **44,647** | (4) | **26,244** | **27,695** | **28,304** | (5) |
| High-trigger capital instruments | 8,259 [3] | 8,231 | 7,743 | 0 | 8,259 | 8,231 | 7,743 | 0 |
| Low-trigger capital instruments | 8,432 [4] | 6,109 | 6,005 | 38 | 8,432 | 6,109 | 6,005 | 38 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,082 | 6,012 | – | 1 | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (6,589) | (6,677) | – | (1) | (1) | (2) | – | (50) |
| **Swiss total eligible capital [2]** | **55,476** | **54,427** | **58,395** | 2 | **42,934** | **42,033** | **42,052** | 2 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 285,421 | 285,996 | 273,846 | 0 | 279,169 | 279,694 | 266,103 | 0 |
| Swiss regulatory adjustments [6] | 787 | 737 | 1,015 | 7 | 786 | 736 | 1,031 | 7 |
| **Swiss risk-weighted assets** | **286,208** | **286,733** | **274,861** | 0 | **279,955** | **280,430** | **267,134** | 0 |
| **Capital ratios (%)** | | | | | | | | |
| Swiss CET1 ratio | 13.7 | 14.2 | 16.2 | – | 9.4 | 9.9 | 10.6 | – |
| Swiss total capital ratio | 19.4 | 19.0 | 21.2 | – | 15.3 | 15.0 | 15.7 | – |

[1] Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
[2] Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
[3] Consists of CHF 5.8 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
[4] Consists of CHF 4.5 billion additional tier 1 instruments and CHF 3.9 billion tier 2 instruments.
[5] Reflects the FINMA Decree, which was effective in 1Q14.
[6] Primarily includes differences in the credit risk multiplier.

## Swiss leverage ratio – Group

| | Phase-in | | | | Look-through | | | |
|---|---|---|---|---|---|---|---|---|
| end of | **2Q14** | 1Q14 | 4Q13 | % change QoQ | **2Q14** | 1Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | | | |
| **Swiss total eligible capital** | **55,476** | **54,427** | **58,395** | 2 | **42,934** | **42,033** | **42,052** | 2 |
| **Exposure (CHF million)** [1] | | | | | | | | |
| Balance sheet assets | 888,069 | 879,250 | 890,242 | 1 | 888,069 | 879,250 | 890,242 | 1 |
| Off-balance sheet exposures | 144,668 | 135,500 | 133,426 | 7 | 144,668 | 135,500 | 133,426 | 7 |
| Regulatory adjustments | 126,479 | 122,813 | 130,150 | 3 | 112,592 | 108,996 | 113,596 | 3 |
| **Total average exposure** | **1,159,216** | **1,137,563** | **1,153,818** | 2 | **1,145,329** | **1,123,746** | **1,137,264** | 2 |
| **Swiss leverage ratio (%)** | | | | | | | | |
| Swiss leverage ratio | **4.8** | **4.8** | **5.1** | – | **3.7** | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **2Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 30 | 8 | 2 | 16 | (29) | 40 | 30 |
| Minimum | 11 | 28 | 5 | 1 | 13 | – [1] | 35 | 25 |
| Maximum | 16 | 33 | 12 | 3 | 22 | – [1] | 46 | 36 |
| End of period | 12 | 32 | 7 | 2 | 20 | (27) | 46 | 31 |
| **1Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 31 | 10 | 3 | 19 | (35) | 41 | 35 |
| Minimum | 9 | 29 | 5 | 1 | 14 | – [1] | 36 | 26 |
| Maximum | 17 | 33 | 17 | 4 | 24 | – [1] | 46 | 45 |
| End of period | 14 | 31 | 9 | 2 | 15 | (29) | 42 | 34 |
| **2Q13 (CHF million)** | | | | | | | | |
| Average | 22 | 36 | 9 | 3 | 15 | (45) | 40 | 42 |
| Minimum | 14 | 30 | 6 | 1 | 12 | – [1] | 33 | 32 |
| Maximum | 36 | 41 | 15 | 3 | 18 | – [1] | 50 | 54 |
| End of period | 14 | 30 | 6 | 3 | 15 | (35) | 33 | 32 |

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

## Consolidated statements of operations

| in | **2Q14** | 1Q14 | 2Q13 | **6M14** | 6M13 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 5,690 | 4,445 | 6,220 | 10,135 | 11,042 |
| Interest expense | (3,104) | (2,267) | (3,580) | (5,371) | (6,596) |
| Net interest income | 2,586 | 2,178 | 2,640 | 4,764 | 4,446 |
| Commissions and fees | 3,309 | 3,275 | 3,538 | 6,584 | 6,786 |
| Trading revenues | 197 | 638 | 357 | 835 | 2,172 |
| Other revenues | 371 | 738 | 417 | 1,109 | 637 |
| **Net revenues** | **6,463** | **6,829** | **6,952** | **13,292** | **14,041** |
| **Provision for credit losses** | **18** | **34** | **51** | **52** | **73** |
| Compensation and benefits | 2,973 | 2,993 | 2,926 | 5,966 | 5,917 |
| General and administrative expenses | 3,441 | 1,690 | 1,873 | 5,131 | 3,605 |
| Commission expenses | 377 | 369 | 457 | 746 | 927 |
| Total other operating expenses | 3,818 | 2,059 | 2,330 | 5,877 | 4,532 |
| **Total operating expenses** | **6,791** | **5,052** | **5,256** | **11,843** | **10,449** |
| **Income/(loss) from continuing operations before taxes** | **(346)** | **1,743** | **1,645** | **1,397** | **3,519** |
| Income tax expense | 307 | 543 | 472 | 850 | 971 |
| **Income/(loss) from continuing operations** | **(653)** | **1,200** | **1,173** | **547** | **2,548** |
| Income/(loss) from discontinued operations, net of tax | (9) | 15 | (9) | 6 | (3) |
| **Net income/(loss)** | **(662)** | **1,215** | **1,164** | **553** | **2,545** |
| Net income attributable to noncontrolling interests | 38 | 356 | 119 | 394 | 197 |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **159** | **2,348** |
| of which from continuing operations | (691) | 844 | 1,054 | 153 | 2,351 |
| of which from discontinued operations | (9) | 15 | (9) | 6 | (3) |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | 0.05 | 1.31 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Basic earnings/(loss) per share** | **(0.46)** | **0.48** | **0.54** | **0.05** | **1.31** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | 0.05 | 1.28 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share** | **(0.46)** | **0.48** | **0.52** | **0.05** | **1.28** |

## Consolidated balance sheets

| end of | **2Q14** | 1Q14 | 4Q13 | 2Q13 |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Cash and due from banks | 66,469 | 65,972 | 68,692 | 56,584 |
| Interest-bearing deposits with banks | 1,749 | 1,728 | 1,515 | 1,563 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 165,744 | 162,890 | 160,022 | 173,404 |
| Securities received as collateral, at fair value | 21,611 | 23,029 | 22,800 | 21,675 |
| Trading assets, at fair value | 235,427 | 237,069 | 229,413 | 245,834 |
| Investment securities | 3,323 | 3,320 | 2,987 | 3,546 |
| Other investments | 7,709 | 7,806 | 10,329 | 11,628 |
| Net loans | 254,532 | 250,659 | 247,054 | 246,186 |
| Premises and equipment | 4,811 | 4,926 | 5,091 | 5,459 |
| Goodwill | 7,983 | 7,956 | 7,999 | 8,554 |
| Other intangible assets | 245 | 228 | 210 | 237 |
| Brokerage receivables | 56,309 | 49,353 | 52,045 | 72,247 |
| Other assets | 64,689 | 62,405 | 63,065 | 72,986 |
| Assets of discontinued operations held-for-sale | 979 | 749 | 1,584 | 0 |
| **Total assets** | **891,580** | **878,090** | **872,806** | **919,903** |
| **Liabilities and equity (CHF million)** | | | | |
| Due to banks | 26,701 | 24,211 | 23,108 | 29,440 |
| Customer deposits | 346,296 | 348,450 | 333,089 | 328,389 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,066 | 88,675 | 94,032 | 99,073 |
| Obligation to return securities received as collateral, at fair value | 21,611 | 23,029 | 22,800 | 21,675 |
| Trading liabilities, at fair value | 75,129 | 73,029 | 76,635 | 89,917 |
| Short-term borrowings | 29,426 | 24,181 | 20,193 | 20,976 |
| Long-term debt | 143,827 | 132,434 | 130,042 | 133,505 |
| Brokerage payables | 68,842 | 70,250 | 73,154 | 91,404 |
| Other liabilities | 48,913 | 48,768 | 51,447 | 56,117 |
| Liabilities of discontinued operations held-for-sale | 742 | 781 | 1,140 | 0 |
| **Total liabilities** | **849,553** | **833,808** | **825,640** | **870,496** |
| Common shares | 64 | 64 | 64 | 64 |
| Additional paid-in capital | 26,655 | 28,406 | 27,853 | 27,196 |
| Retained earnings | 30,392 | 31,092 | 30,261 | 30,405 |
| Treasury shares, at cost | (190) | (249) | (139) | (62) |
| Accumulated other comprehensive income/(loss) | (15,977) | (16,083) | (15,875) | (15,201) |
| **Total shareholders' equity** | **40,944** | **43,230** | **42,164** | **42,402** |
| Noncontrolling interests | 1,083 | 1,052 | 5,002 | 7,005 |
| **Total equity** | **42,027** | **44,282** | **47,166** | **49,407** |
| **Total liabilities and equity** | **891,580** | **878,090** | **872,806** | **919,903** |

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (126) | (126) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 14 | 14 |
| Net income/(loss) | – | – | (700) | – | – | (700) | 38 | (662) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 106 | 106 | 3 | 109 |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (6) | – | 2,140 | – | 2,134 | – | 2,134 |
| Repurchase of treasury shares | – | – | – | (2,767) | – | (2,767) | – | (2,767) |
| Share-based compensation, net of tax | – | (1,058) [3] | – | 686 | – | (372) | – | (372) |
| Financial instruments indexed to own shares [4] | – | 193 | – | – | – | 193 | – | 193 |
| Dividends paid | – | (1,177) [5] | – | – | – | (1,177) | (5) | (1,182) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 107 | 107 |
| **Balance at end of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |
| **6M14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (1,938) | (1,700) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 35 | 35 |
| Net income/(loss) | – | – | 159 | – | – | 159 | 394 | 553 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (102) | (102) | (22) | (124) |
| Issuance of common shares | – | 297 | – | – | – | 297 | – | 297 |
| Sale of treasury shares | – | (3) | – | 4,036 | – | 4,033 | – | 4,033 |
| Repurchase of treasury shares | – | – | – | (4,792) | – | (4,792) | – | (4,792) |
| Share-based compensation, net of tax | – | (747) [6] | – | 705 | – | (42) | – | (42) |
| Financial instruments indexed to own shares [4] | – | 193 | – | – | – | 193 | – | 193 |
| Dividends paid | – | (1,177) [5] | (28) | – | – | (1,205) | (22) | (1,227) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (2,366) | (2,366) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **26,655** | **30,392** | **(190)** | **(15,977)** | **40,944** | **1,083** | **42,027** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax benefit of CHF 10 million from the excess fair value of shares delivered over recognized compensation expense.
4 The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
5 Paid out of reserves from capital contributions.
6 Includes a net tax charge of CHF (38) million from the excess recognized compensation expense over fair value of shares delivered.

## Earnings per share

| in | 2Q14 | 1Q14 | 2Q13 | 6M14 | 6M13 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **(691)** | **844** | **1,054** | **153** | **2,351** |
| Income/(loss) from discontinued operations, net of tax | (9) | 15 | (9) | 6 | (3) |
| **Net income/(loss) attributable to shareholders** | **(700)** | **859** | **1,045** | **159** | **2,348** |
| Preferred securities dividends | – | (28) | (114) | (28) | (114) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(700)** | **831** | **931** | **131** | **2,234** |
| Available for common shares | (752) | 785 | 852 | 79 | 1,918 |
| Available for unvested share-based payment awards | 52 | 46 | 70 | 52 | 164 |
| Available for mandatory convertible securities [1] | – | – | 9 | – | 152 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(700)** | **831** | **931** | **131** | **2,234** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | (17) | – | (22) |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(700)** | **831** | **914** | **131** | **2,212** |
| Available for common shares | (752) | 785 | 838 | 79 | 1,904 |
| Available for unvested share-based payment awards | 52 | 46 | 67 | 52 | 160 |
| Available for mandatory convertible securities [1] | – | – | 9 | – | 148 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,625.0** | **1,621.2** | **1,574.9** | **1,623.1** | **1,464.8** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 23.1 | – | 23.5 |
| Dilutive share options and warrants | 0.0 | 1.4 | 1.9 | 0.7 | 1.9 |
| Dilutive share awards | 0.0 | 5.2 | 1.5 | 2.6 | 1.7 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,625.0** [5] | **1,627.8** | **1,601.4** | **1,626.4** | **1,491.9** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **68.3** | **95.5** | **130.0** | **81.9** | **126.3** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **20.4** | **–** | **126.1** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.55 | 0.05 | 1.31 |
| Basic earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Basic earnings/(loss) per share available for common shares** | **(0.46)** | **0.48** | **0.54** | **0.05** | **1.31** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.45) | 0.47 | 0.53 | 0.05 | 1.28 |
| Diluted earnings/(loss) per share from discontinued operations | (0.01) | 0.01 | (0.01) | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share available for common shares** | **(0.46)** | **0.48** | **0.52** | **0.05** | **1.28** |

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.
[2] Reflects changes in the fair value of the PAF2 units which were reflected in the net results of the Group until the awards were finally settled. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.
[3] Reflects weighted-average shares outstanding on PAF2 units. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.
[4] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 8.8 million, 9.1 million, 12.1 million, 8.9 million and 12.9 million for 2Q14, 1Q14, 2Q13, 6M14 and 6M13, respectively.
[5] Due to the net loss in 2Q14, 1.3 million weighted-average share options and warrants outstanding and 12.2 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

**Cautionary statement regarding forward-looking information**

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of continuing deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalizations or confiscations in countries where we conduct operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries where we conduct operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk Factors" in I – Information on the company in our Annual Report 2013.

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

## Form 6-K

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

May 19, 2014

Commission File Number 001-15244

# CREDIT SUISSE GROUP AG

(Translation of registrant's name into English)

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

Commission File Number 001-33434

# CREDIT SUISSE AG

(Translation of registrant's name into English)

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

This report is being filed by Credit Suisse Group AG and Credit Suisse AG and is hereby incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and the Registration Statement on Form S-8 (file no. 333-101259).

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**Media Release**

# Credit Suisse announces a comprehensive and final settlement regarding all outstanding U.S. cross-border matters, including agreements with the U.S. Department of Justice, the New York State Department of Financial Services, the Board of Governors of the U.S. Federal Reserve System and, as previously announced, the U.S. Securities and Exchange Commission

**Credit Suisse agrees to pay USD 2,815 million (CHF 2,510 million); these settlements, net of existing provisions, will result in an after-tax charge of CHF 1,598 million to be booked in the second quarter of 2014**

**Credit Suisse's Look-through Basel III CET1 ratio would have been 9.3% at the end of 1Q14 had this charge been applied at that time; Credit Suisse expects to exceed 10% by end-2014**

**The settlement includes a guilty plea entered into by Credit Suisse's Swiss banking entity, Credit Suisse AG**

**The resolution of this matter was coordinated with its lead global regulators, and Credit Suisse expects no impact on its licenses, nor any material impact on its operational or business capabilities**

Zurich, May 19, 2014 **Credit Suisse today announced a comprehensive and final settlement regarding all outstanding matters relating to the former cross-border private banking business with U.S. clients.**

Brady Dougan, CEO of Credit Suisse, said: “We deeply regret the past misconduct that led to this settlement. The US cross-border matter represented the most significant and longstanding regulatory and litigation issue for Credit Suisse. Having this matter fully resolved is an important step forward for us. We have seen no material impact on our business resulting from the heightened public attention on this issue in the past several weeks. We want to thank our clients and employees for their support as we continued to work through this matter and brought it to a conclusion. We can now focus on the future and give our full attention to executing our strategy.”

On financial impact, capital position and dividend policy, he added: “The settlement will reduce our second quarter net income by CHF 1,598 million. If the charge arising from the settlement had been applied at the end of the first quarter 2014, our Look-through Basel III CET1 ratio would have been 9.3%, rather than 10.0%. We intend to reduce our risk-weighted assets to at or below the level of end 2013 as well as take other capital actions, including the sale of surplus real estate and other non-core assets. These measures alone should be sufficient to return our Look-through Basel III CET1 ratio to 10% by year-end 2014. Furthermore, once this 10% CET1 ratio has been achieved and while continuing to accrete capital towards our 11% long-term target, we intend to return approximately half our earnings to shareholders through our annual distributions.”

The final settlement announced today, totaling USD 2,815 million (CHF 2,510 million), is comprised of the following components:

- USD 2,000 million for the U.S. Department of Justice (including USD 196 million for the U.S. Securities and Exchange Commission as previously announced in February 2014). One third is allocated to the U.S. Internal Revenue Service.
- USD 715 million for the New York State Department of Financial Services
- USD 100 million for the Board of Governors of the Federal Reserve System

In prior quarters, Credit Suisse had taken litigation provisions totaling CHF 892 million related to this matter. As a result, the pre-tax impact of the final settlement in the second quarter 2014 will be CHF 1,618 million and the after-tax impact will be CHF 1,598 million.

Credit Suisse AG entered a guilty plea to one count of conspiracy to assist U.S. customers in presenting false income tax returns to the U.S. Internal Revenue Service in violation of Title 18, U.S. Code section 371 in connection with the former Swiss-based cross border private banking business.

**Information**
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Investor Relations Credit Suisse, Zurich +41 44 333 71 49, New York +1 212 325 55 27, investor.relations@credit-suisse.com

**Audio webcast and telephone conference for analysts, investors and media**

| | |
|---|---|
| **Date** | Tuesday, May 20, 2014 |
| **Time** | 08:30 Zurich / 07:30 London / 02:30 New York |
| **Speakers** | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer<br>The presentations will be held in English. |
| **Audio webcast** | www.credit-suisse.com/settlement_may2014 |
| **Telephone** | Switzerland: +41 44 580 40 01<br>Europe: +44 1452 565 510<br>US: +1 866 389 9771<br>Reference: Credit Suisse Group Settlement |
| **Q&A session** | Following the presentations, you will have the opportunity to ask questions via the telephone conference. |
| **Playback** | Replay available approximately two hours after the event by visiting<br>www.credit-suisse.com/settlement_may2014 or by dialing:<br>Switzerland: +41 44 580 34 56<br>Europe: +44 1452 550 000<br>US: +1 866 247 4222<br>Conference ID: 48545914# |

**Credit Suisse AG**
Credit Suisse AG is one of the world's leading financial services providers and is part of the Credit Suisse group of companies (referred to here as 'Credit Suisse'). As an integrated bank, Credit Suisse offers clients its combined expertise in the areas of private banking, investment banking and asset management. Credit Suisse provides advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse is headquartered in Zurich and operates in over 50 countries worldwide. The group employs approximately 45,600 people. The registered shares (CSGN) of Credit Suisse's parent company, Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at www.credit-suisse.com.

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

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.
- Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking
  statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:
- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of continuing deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalizations or confiscations in countries where we conduct operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries where we conduct operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk Factors” in I – Information on the company in our Annual Report 2013.

SIGNATURES

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

CREDIT SUISSE GROUP AG and CREDIT SUISSE AG
(Registrants)

By: /s/ Christian Schmid
Christian Schmid
Managing Director

/s/ Claude Jehle
Claude Jehle
Director

Date: May 19, 2014

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

## Form 6-K

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

May 2, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Explanatory note

On May 2, 2014, the Credit Suisse Financial Report 1Q14 was published. A copy of the Financial Report is attached as an exhibit to this report on Form 6-K. This report on Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended, except, in the case of both (i) and (ii), the sections of the attached Financial Report entitled "Dear shareholders", "Investor information" and "Financial calendar and contacts".

# Exhibits

**No. Description**

99.1 Credit Suisse Financial Report 1Q14

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: May 2, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

CREDIT SUISSE

# Financial Report 1Q14

## Key metrics

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | |
| Net income/(loss) attributable to shareholders | 859 | (476) | 1,303 | – | (34) |
| of which from continuing operations | 844 | (474) | 1,297 | – | (35) |
| Basic earnings/(loss) per share from continuing operations (CHF) | 0.47 | (0.37) | 0.76 | – | (38) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | 0.47 | (0.37) | 0.75 | – | (37) |
| Return on equity attributable to shareholders (%) | 8.0 | (4.5) | 14.2 | – | – |
| Effective tax rate (%) | 31.2 | 18.9 | 26.6 | – | – |
| **Core Results (CHF million, except where indicated)** | | | | | |
| Net revenues | 6,469 | 5,920 | 7,018 | 9 | (8) |
| Provision for credit losses | 34 | 53 | 22 | (36) | 55 |
| Total operating expenses | 5,035 | 6,396 | 5,191 | (21) | (3) |
| Income/(loss) from continuing operations before taxes | 1,400 | (529) | 1,805 | – | (22) |
| Cost/income ratio (%) | 77.8 | 108.0 | 74.0 | – | – |
| Pre-tax income margin (%) | 21.6 | (8.9) | 25.7 | – | – |
| **Strategic results (CHF million, except where indicated)** | | | | | |
| Net revenues | 6,553 | 6,038 | 7,018 | 9 | (7) |
| Income from continuing operations before taxes | 1,940 | 1,448 | 2,207 | 34 | (12) |
| Cost/income ratio (%) | 70.1 | 75.4 | 68.3 | – | – |
| Return on equity – strategic results (%) | 13.9 | 10.6 | 18.6 | – | – |
| **Non-strategic results (CHF million)** | | | | | |
| Net revenues | (84) | (118) | 0 | (29) | – |
| Loss from continuing operations before taxes | (540) | (1,977) | (402) | (73) | 34 |
| **Assets under management and net new assets (CHF billion)** | | | | | |
| Assets under management from continuing operations | 1,281.1 | 1,253.4 | 1,258.6 | 2.2 | 1.8 |
| Net new assets from continuing operations | 14.7 | 4.2 | 14.4 | 250.0 | 2.1 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 878,090 | 872,806 | 946,618 | 1 | (7) |
| Net loans | 250,659 | 247,054 | 248,995 | 1 | 1 |
| Total shareholders' equity | 43,230 | 42,164 | 37,825 | 3 | 14 |
| Tangible shareholders' equity | 35,046 | 33,955 | 28,985 | 3 | 21 |
| **Basel III regulatory capital and leverage statistics** | | | | | |
| Risk-weighted assets (CHF million) | 285,996 | 273,846 | – | 4 | – |
| CET 1 ratio (%) | 14.3 | 15.7 | – | – | – |
| Look-through CET 1 ratio (%) | 10.0 | 10.0 | – | – | – |
| Swiss leverage ratio (%) | 4.8 | 5.1 | – | – | – |
| Look-through Swiss leverage ratio (%) | 3.7 | 3.7 | – | – | – |
| **Share information** | | | | | |
| Shares outstanding (million) | 1,587.2 | 1,590.9 | 1,312.2 | 0 | 21 |
| of which common shares issued | 1,596.1 | 1,596.1 | 1,339.7 | 0 | 19 |
| of which treasury shares | (8.9) | (5.2) | (27.5) | 71 | (68) |
| Book value per share (CHF) | 27.24 | 26.50 | 28.83 | 3 | (6) |
| Tangible book value per share (CHF) | 22.08 | 21.34 | 22.09 | 3 | 0 |
| Market capitalization (CHF million) | 45,633 | 43,526 | 33,371 | 5 | 37 |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

See relevant tables for additional information on these metrics.

Urs Rohner, Chairman of the Board of Directors (left) and Brady W. Dougan, Chief Executive Officer.

## DEAR SHAREHOLDERS

For the first quarter of 2014, we generated Core pre-tax income of CHF 1,940 million in our strategic businesses and achieved a strong return on equity of 14% – well within reach of our 15% through-the-cycle target. This strong performance was driven by significantly improved profitability in Private Banking & Wealth Management, solid returns in Investment Banking and continued effective cost and capital management. Reported Core pre-tax income for the first quarter was CHF 1,400 million and the reported return on equity was 8%. We saw continued momentum with clients across many of our key businesses in the first quarter, including the highest net asset inflows in our strategic businesses since the first quarter of 2011 and a meaningful increase in the share of assets under management from ultra-high-net-worth clients.

### Progress in our two divisions

We substantially improved the profitability of our strategic businesses in Private Banking & Wealth Management, delivering pre-tax income of CHF 965 million for the quarter, a 28% increase compared to the prior-year quarter. The Wealth Management Clients business improved its net margin to 29 basis points from 23 basis points in the prior-year quarter. In line with our strategy, we also increased the share of assets under management from ultra-high-net-worth clients in this business to 46%, compared to 43% in the same period of last year. Corporate & Institutional Clients continued to make a strong contribution to the division's overall performance, and Asset Management more than doubled its pre-tax income compared to the first quarter of 2013 as a result of its more focused approach. In Private Banking & Wealth Management, we recorded net new assets of CHF 16.0 billion from strategic businesses in the quarter and total net new assets of CHF 13.7 billion. These inflows reflect our strength in key emerging markets within Asia Pacific, which grew at a 17% annualized rate, Latin America and the Middle East, our strong position in our Swiss home market, and significant inflows in alternative investments and index products within our Asset Management business.

In Investment Banking, we delivered solid returns despite more challenging market conditions during the quarter, demonstrating the strength of our diversified franchise. Investment Banking's strategic businesses reported pre-tax income of CHF 1,124 million and a return on capital of 21%. We delivered a strong performance in securitized products, credit and underwriting and advisory, as well as solid results in equities. At the same time, the first quarter seasonal contribution from our rates business and certain emerging markets businesses was significantly lower compared to prior years, as the industry adapts to structural changes in the rates business combined with challenging market conditions in certain emerging markets. We further expanded our strong market share position in equities and saw good momentum with clients in our underwriting and advisory franchises.

**Progress in executing strategy to support cash returns to shareholders**

In terms of our strategic focus, we continued to optimize resource allocation in order to grow our high-returning businesses, particularly in Private Banking & Wealth Management. At the same time, we made progress in winding down positions in our non-strategic units.

In Private Banking & Wealth Management, we plan to continue to build on our growth momentum in emerging markets and expand our lending initiatives targeting ultra-high-net-worth clients. We intend to complete the repositioning of our activities in certain less profitable markets where we have an onshore presence and we will work to further improve the net margin in our Wealth Management Clients business. Additionally, we plan to further enhance our integrated offering, both within the Private Banking & Wealth Management division and in close collaboration with the Investment Banking division.

In Investment Banking, we will continue to focus on our market-leading and high-returning businesses, including our top-three equities franchise, a strong and profitable underwriting and advisory business and a fixed income franchise focused on high-returning yield businesses. As part of this focus, we are transitioning our rates business to become a more client-focused and capital-light franchise, as announced in October 2013.

We maintained our resilient leverage and capital positions and are on track to meet our long-term targets, notwithstanding methodology changes that led to an increase in risk-weighted assets in the quarter. As of quarter-end, we reported a Look-through Basel III CET1 ratio of 10.0% and a Look-through Swiss leverage ratio of 3.7%. We also further increased the efficiency of our operations during the first quarter. Since the second quarter of 2011 when we first announced our cost measures, we have reduced the Group's cost base by CHF 3.4 billion on an annualized, adjusted basis.

In the first quarter of 2014, we continued to work toward resolving legacy litigation matters. In March 2014, we announced an agreement with the Federal Housing Finance Agency (FHFA), effectively resolving the largest mortgage-related legal dispute between Credit Suisse and investors dating back to the financial crisis. Moreover, we are continuing our efforts to resolve legal cases related to our former cross-border private banking business with US clients. In February 2014, we reached a settlement with the US Securities and Exchange Commission (SEC) on the US cross-border matter. The United States Department of Justice's investigation into the US tax matter remains outstanding and, while we are working hard to bring this to a close, the timing and outcome remain uncertain.

Given our progress in executing our strategy, combined with the strong performance of our strategic businesses in the first quarter of 2014, our intention remains to deliver cash returns to our shareholders at or above 2013 levels.

We would like to thank our shareholders and clients for the trust they have placed in Credit Suisse and, in particular, our employees for their contribution to the success of our business.

Sincerely

Urs Rohner Brady W. Dougan

May 2014

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 1Q14 Results Presentation Slides.

Refer to "Results overview" in II – Operating and financial review – Core Results in our Annual Report 2013 for further information on Core Results.

# Financial Report 1Q14



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

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

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

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

# Credit Suisse at a glance

**Credit Suisse**

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients, to ultra-high-net-worth and high-net worth individuals worldwide, as well as affluent and retail clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 45,600 employees from approximately 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

**Private Banking & Wealth Management**

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Our Wealth Management Clients business serves ultra-high-net-worth and high-net-worth individuals around the globe, as well as affluent and retail clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

**Investment Banking**

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

# I

# Credit Suisse results

# Operating environment

Global economic activity was mixed in 1Q14. Major equity markets ended the quarter almost unchanged, volatility increased slightly driven by geopolitical concerns and government benchmark bond yields decreased. The performance of the US dollar against most major currencies was mixed in 1Q14.

## ECONOMIC ENVIRONMENT

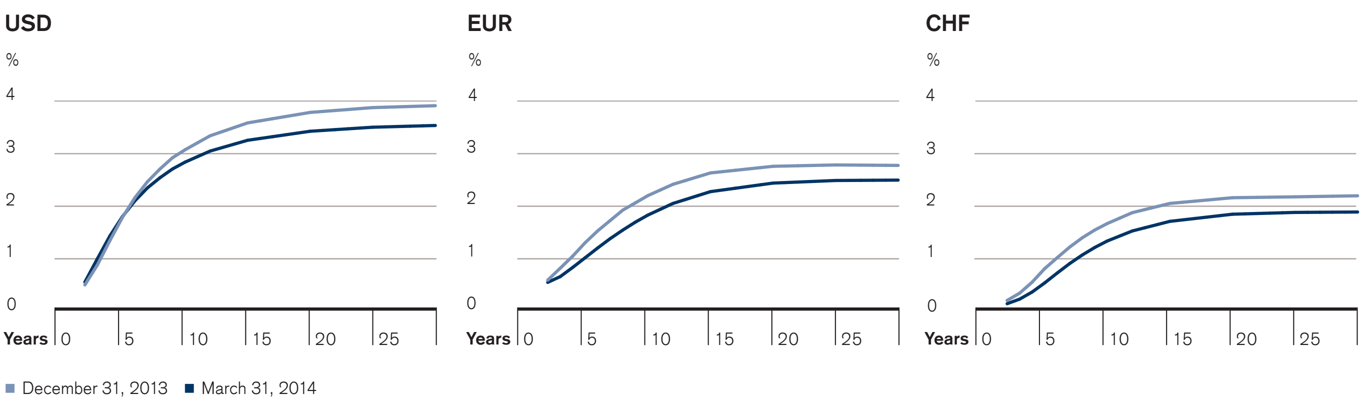
The global economic environment showed some signs of softening in 1Q14, driven mainly by the US and China. The moderation in US economic growth appeared to be largely due to the negative effects of adverse weather conditions in January and February. Leading indicators in the US showed signs of an economic recovery in March, but employment growth and manufacturing production remained below the average of the preceding quarter. Chinese economic data was weaker than expected early in the quarter and leading indicators in China for March disappointed hopes of an economic rebound. The Chinese government announced stimulus measures aiming to achieve the official gross domestic product annual growth rate target of 7.5% for 2014. Eurozone economic data on the other hand, showed further improvement and leading indicators in Europe indicate that economic activity was rising again in France, which has lagged other large eurozone economies in recent months.

The US Federal Reserve (Fed) decided, at its meeting in March, to reduce the pace of its monthly asset purchases to USD 55 billion effective as of April 2014. In addition, it adjusted its forward guidance by linking the federal funds rate to a broad set of indicators instead of just the unemployment rate. The European Central Bank (ECB) left its main refinancing rate unchanged, but indicated that it would act if the medium-term outlook for inflation worsened. Responding to depreciation pressure on their currencies, the central banks of Turkey and Russia raised their policy rates substantially.

Major equity markets ended the quarter almost unchanged. Geopolitical concerns and a perceived crisis in emerging markets weighed on equities. Among developed markets, Japan performed the worst after a robust performance in 2013. Emerging markets continued to lag developed markets. Reflecting the risk averse climate in 1Q14, defensive sectors outperformed cyclical sectors, while utilities and healthcare sectors outperformed the market generally. The overall equity markets traded with slightly higher volatility for most of the quarter, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), while risk appetite, as measured by the Credit Suisse equity risk appetite index, declined. The Credit Suisse Hedge Fund Index increased 0.9% in 1Q14.

## Yield curves

Yield curves ended the quarter lower, mainly driven by increased geopolitical risks.



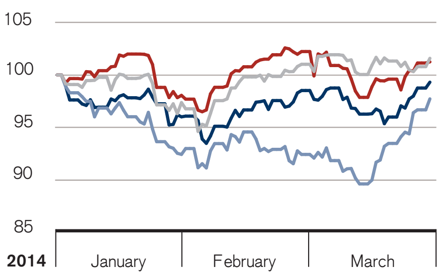

**Source:** Datastream, Credit Suisse

## Equity markets

Major equity markets ended the quarter almost unchanged. Volatility was moderately higher. Bank stocks outperformed global equity markets.

**Performance region**

Index (December 31, 2013 = 100)

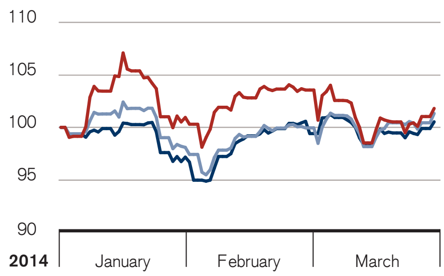



■ Emerging markets Asia ■ Europe
■ Emerging markets Latin America ■ North America

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

**Performance world banks**

Index (December 31, 2013 = 100)

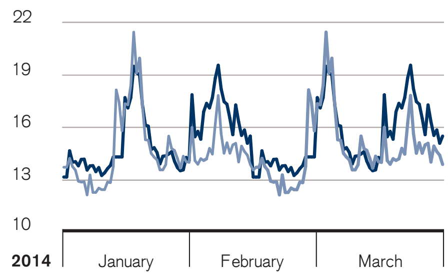



■ MSCI World banks ■ MSCI European banks
■ MSCI World

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

**Volatility**

%




■ VDAX
■ VIX Index

**Source:** Datastream, Credit Suisse

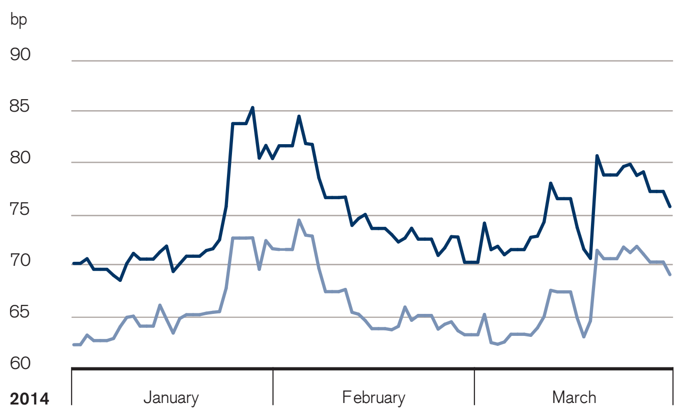
Geopolitical turmoil in Ukraine and concerns about Chinese economic growth significantly weighed on risk appetite, resulting in a decrease in 10-year benchmark bond yields in 1Q14 (refer to the charts "Yield curves"). In contrast, US dollar and British pound 2-year benchmark bond yields finished the first quarter slightly higher, reflecting expectations of further reductions in monetary stimulus activity. With a search for yield continuing, credit markets posted a good performance in 1Q14. Credit spreads tightened the most in the European high yield segment (refer to the chart "Credit spreads"). While emerging market sovereign spread performance was mixed, emerging market hard currency bonds recorded positive total returns in 1Q14.

US dollar performance in 1Q14 against most major currencies was mixed. The euro and British pound depreciated against the US dollar in January. However, continued softer US economic data, likely impacted by adverse weather conditions, weakened the US dollar in February and March. The Canadian dollar weakened as the Bank of Canada left open the possibility to cut interest rates. On the other hand, the Australian and New Zealand dollars appreciated as the Australian central bank became more restrictive and the New Zealand central bank began increasing interest rates. The euro was slightly weaker against the Swiss franc because of market expectations that the ECB could ease its monetary policy. In emerging markets, the People's Bank of China widened the daily trading range for the renminbi and allowed the currency to depreciate versus the US dollar.

Commodity markets had a good start into the year. The major commodity indices gained more than 4% during 1Q14, mainly driven by precious metals and agricultural markets. There were gold purchases due to increased geopolitical risks and, in agriculture, prices for soy, wheat and corn gained strongly due to adverse weather conditions in North America and Latin America. Prices for industrial metals and energy products had smaller increases. Both sectors benefited to some extent from the economic recovery in developed markets, but lagged other sectors due to the still weak growth momentum in emerging markets during 1Q14.

## Credit spreads

Credit spreads widened slightly compared to the end of the previous quarter.




■ European CDS (iTraxx) ■ North American CDS (CDX) bp: basis points

**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 1Q14 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | 20 | 17 | 20 | 19 |
| Announced mergers and acquisitions [2] | 3 | 24 | (6) | 13 |
| Completed mergers and acquisitions [2] | (10) | (2) | (40) | (48) |
| Equity underwriting [2] | (22) | 20 | (26) | 79 |
| Debt underwriting [2] | 13 | (17) | 25 | (2) |
| Syndicated lending – investment grade [2] | (35) | 3 | – | – |

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ.
[2] Dealogic.

### SECTOR ENVIRONMENT

After strongly outperforming the broader market in the beginning of the quarter, European bank stocks increased 2% in 1Q14, slightly better than global equity markets as measured by the MSCI World index. North American bank stocks increased 5% (refer to the charts "Equity Markets").

In private banking, clients maintained a cautious investment stance, with cash deposits remaining high despite the low interest rates. The low interest rate environment continued to adversely impact earnings. Although the Swiss National Bank (SNB) reiterated concerns about the build-up of imbalances in mortgage and real estate markets in Switzerland, Swiss mortgage rates remained at low levels. Overall the wealth management sector continued to adapt to further industry-specific regulatory changes.

For investment banking, global equity trading volumes increased compared to both 4Q13 and 1Q13, driven by higher volumes across European and US cash equities. Global announced mergers and acquisitions (M&A) volumes increased compared to 4Q13 and 1Q13. Global completed M&A volumes decreased compared to 4Q13 and was slightly lower versus 1Q13. Global equity underwriting volumes decreased versus 4Q13 but increased compared to 1Q13. Global debt underwriting volumes increased compared to 4Q13 and decreased versus 1Q13. US fixed income volumes decreased compared to 4Q13 with lower mortgage-backed volumes. Compared to 1Q13, weaker treasuries, federal agency and mortgage-backed volumes were partially offset by higher volumes of corporates.

# Credit Suisse

In 1Q14, we recorded net income attributable to shareholders of CHF 859 million. Diluted earnings per share from continuing operations were CHF 0.47 and return on equity attributable to shareholders was 8.0%.

As of the end of 1Q14, our Basel III CET1 ratio was 14.3% and 10.0% on a look-through basis. Our risk-weighted assets increased 4% compared to 4Q13 to CHF 286.0 billion.

## Results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **6,829** | **6,139** | **7,089** | 11 | (4) |
| **Provision for credit losses** | **34** | **53** | **22** | (36) | 55 |
| Compensation and benefits | 2,993 | 2,807 | 2,991 | 7 | 0 |
| General and administrative expenses | 1,690 | 3,223 | 1,732 | (48) | (2) |
| Commission expenses | 369 | 389 | 470 | (5) | (21) |
| Total other operating expenses | 2,059 | 3,612 | 2,202 | (43) | (6) |
| **Total operating expenses** | **5,052** | **6,419** | **5,193** | (21) | (3) |
| **Income/(loss) from continuing operations before taxes** | **1,743** | **(333)** | **1,874** | – | (7) |
| Income tax expense/(benefit) | 543 | (63) | 499 | – | 9 |
| **Income/(loss) from continuing operations** | **1,200** | **(270)** | **1,375** | – | (13) |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Net income/(loss)** | **1,215** | **(272)** | **1,381** | – | (12) |
| Net income attributable to noncontrolling interests | 356 | 204 | 78 | 75 | 356 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | – | (34) |
| of which from continuing operations | 844 | (474) | 1,297 | – | (35) |
| of which from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 | – | (38) |
| Basic earnings/(loss) per share | 0.48 | (0.37) | 0.76 | – | (37) |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 | – | (37) |
| Diluted earnings/(loss) per share | 0.48 | (0.37) | 0.75 | – | (36) |
| **Return on equity (%, annualized)** | | | | | |
| Return on equity attributable to shareholders | 8.0 | (4.5) | 14.2 | – | – |
| Return on tangible equity attributable to shareholders [1] | 10.0 | (5.6) | 18.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

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

## Credit Suisse and Core Results

| in | Core Results 1Q14 | 4Q13 | 1Q13 | Noncontrolling interests without SEI 1Q14 | 4Q13 | 1Q13 | Credit Suisse 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,469** | **5,920** | **7,018** | **360** | **219** | **71** | **6,829** | **6,139** | **7,089** |
| **Provision for credit losses** | **34** | **53** | **22** | **0** | **0** | **0** | **34** | **53** | **22** |
| Compensation and benefits | 2,977 | 2,788 | 2,990 | 16 | 19 | 1 | 2,993 | 2,807 | 2,991 |
| General and administrative expenses | 1,689 | 3,219 | 1,731 | 1 | 4 | 1 | 1,690 | 3,223 | 1,732 |
| Commission expenses | 369 | 389 | 470 | 0 | 0 | 0 | 369 | 389 | 470 |
| Total other operating expenses | 2,058 | 3,608 | 2,201 | 1 | 4 | 1 | 2,059 | 3,612 | 2,202 |
| **Total operating expenses** | **5,035** | **6,396** | **5,191** | **17** | **23** | **2** | **5,052** | **6,419** | **5,193** |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | **343** | **196** | **69** | **1,743** | **(333)** | **1,874** |
| Income tax expense/(benefit) | 543 | (63) | 499 | 0 | 0 | 0 | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **857** | **(466)** | **1,306** | **343** | **196** | **69** | **1,200** | **(270)** | **1,375** |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | 0 | 0 | 0 | 15 | (2) | 6 |
| **Net income/(loss)** | **872** | **(468)** | **1,312** | **343** | **196** | **69** | **1,215** | **(272)** | **1,381** |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 343 | 196 | 69 | 356 | 204 | 78 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | **–** | **–** | **–** | **859** | **(476)** | **1,303** |
| of which from continuing operations | 844 | (474) | 1,297 | – | – | – | 844 | (474) | 1,297 |
| of which from discontinued operations | 15 | (2) | 6 | – | – | – | 15 | (2) | 6 |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 77.8 | 108.0 | 74.0 | – | – | – | 74.0 | 104.6 | 73.3 |
| Pre-tax income margin | 21.6 | (8.9) | 25.7 | – | – | – | 25.5 | (5.4) | 26.4 |
| Effective tax rate | 38.8 | 11.9 | 27.6 | – | – | – | 31.2 | 18.9 | 26.6 |
| Net income margin [1] | 13.3 | (8.0) | 18.6 | – | – | – | 12.6 | (7.8) | 18.4 |

[1] Based on amounts attributable to shareholders.

### INFORMATION AND DEVELOPMENTS

#### Format of presentation and changes in reporting

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

As of January 1, 2013, the Basel Committee on Banking Supervision (BCBS) Basel III framework was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report.

References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons.

▸ Refer to “Swiss leverage ratio” in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Swiss capital metrics for further information.

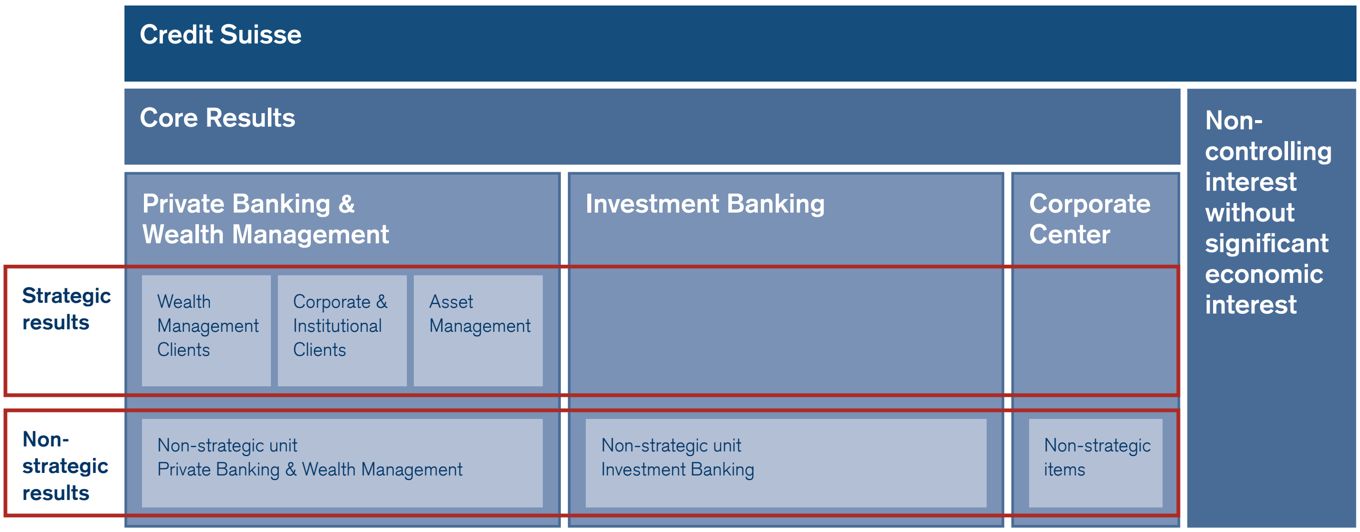
In 4Q13, we created non-strategic units within our Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in Corporate Center. Certain reclassifications have been made to prior periods to conform to the current presentation.

▸ Refer to “Introduction of non-strategic units” in II – Operating and financial review – Credit Suisse – Information and developments in the Credit Suisse Annual Report 2013 for further information.

#### Discontinued operations

The Private Banking & Wealth Management division completed the sale of our Customized Fund Investment Group (CFIG) business in January 2014, and in 4Q13 announced the sale of our domestic private banking business booked in Germany to ABN AMRO, which is expected to close in the course of 2014. These transactions qualify for discontinued operations treatment under US generally accepted principles (US GAAP), and revenues and expenses of these businesses and the relevant gains on disposal are classified as discontinued operations in the Group’s consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment’s non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

**Fair valuations**

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

▸ Refer to “Note 1 – Summary of significant accounting policies” and “Note 27 – Financial instruments” in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 1Q14, 47% and 32% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management’s Asset Management business, specifically certain private equity investments. Total assets at fair value recorded as level 3 decreased by CHF 1.7 billion during 1Q14, primarily due to a decrease in other investments, partially offset by an increase in loans. The decrease in other investments primarily reflected net sales partially offset by realized and unrealized gains. The increase in loans primarily reflected net issuances.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 30.0 billion, compared to CHF 29.8 billion as of the end of 4Q13. As of the end of 1Q14, these assets comprised 4% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, unchanged from 4Q13.

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

**Regulatory developments and proposals**

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

▸ Refer to “Regulation and supervision” in I – Information on the company in the Credit Suisse Annual Report 2013 for further information.

# Core Results

In 1Q14, we recorded net income attributable to shareholders of CHF 859 million. Net revenues were CHF 6,469 million and total operating expenses were CHF 5,035 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 1,940 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 540 million in 1Q14.

## Core Results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 2,183 | 1,742 | 1,801 | 25 | 21 |
| Commissions and fees | 3,276 | 3,430 | 3,254 | (4) | 1 |
| Trading revenues | 630 | 287 | 1,807 | 120 | (65) |
| Other revenues | 380 | 461 | 156 | (18) | 144 |
| **Net revenues** | **6,469** | **5,920** | **7,018** | 9 | (8) |
| of which strategic results | 6,553 | 6,038 | 7,018 | 9 | (7) |
| of which non-strategic results | (84) | (118) | 0 | (29) | – |
| **Provision for credit losses** | **34** | **53** | **22** | (36) | 55 |
| Compensation and benefits | 2,977 | 2,788 | 2,990 | 7 | 0 |
| General and administrative expenses | 1,689 | 3,219 | 1,731 | (48) | (2) |
| Commission expenses | 369 | 389 | 470 | (5) | (21) |
| Total other operating expenses | 2,058 | 3,608 | 2,201 | (43) | (6) |
| **Total operating expenses** | **5,035** | **6,396** | **5,191** | (21) | (3) |
| of which strategic results | 4,595 | 4,554 | 4,795 | 1 | (4) |
| of which non-strategic results | 440 | 1,842 | 396 | (76) | 11 |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | – | (22) |
| of which strategic results | 1,940 | 1,448 | 2,207 | 34 | (12) |
| of which non-strategic results | (540) | (1,977) | (402) | (73) | 34 |
| Income tax expense/(benefit) | 543 | (63) | 499 | – | 9 |
| **Income/(loss) from continuing operations** | **857** | **(466)** | **1,306** | – | (34) |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Net income/(loss)** | **872** | **(468)** | **1,312** | – | (34) |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 63 | 44 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | – | (34) |
| of which strategic results | 1,398 | 1,062 | 1,579 | 32 | (11) |
| of which non-strategic results | (539) | (1,538) | (276) | (65) | 95 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 14.4 | – | 18.2 | – | – |
| Cost/income ratio | 77.8 | 108.0 | 74.0 | – | – |
| Pre-tax income margin | 21.6 | (8.9) | 25.7 | – | – |
| Effective tax rate | 38.8 | 11.9 | 27.6 | – | – |
| Net income margin [2] | 13.3 | (8.0) | 18.6 | – | – |
| **Return on equity (%, annualized)** | | | | | |
| Return on equity – strategic results | 13.9 | 10.6 | 18.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Based on amounts attributable to shareholders.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,553** | **6,038** | **7,018** | **(84)** | **(118)** | **0** | **6,469** | **5,920** | **7,018** |
| **Provision for credit losses** | **18** | **36** | **16** | **16** | **17** | **6** | **34** | **53** | **22** |
| Compensation and benefits | 2,797 | 2,599 | 2,802 | 180 | 189 | 188 | 2,977 | 2,788 | 2,990 |
| Total other operating expenses | 1,798 | 1,955 | 1,993 | 260 | 1,653 | 208 | 2,058 | 3,608 | 2,201 |
| **Total operating expenses** | **4,595** | **4,554** | **4,795** | **440** | **1,842** | **396** | **5,035** | **6,396** | **5,191** |
| **Income/(loss) from continuing operations before taxes** | **1,940** | **1,448** | **2,207** | **(540)** | **(1,977)** | **(402)** | **1,400** | **(529)** | **1,805** |
| Income tax expense/(benefit) | 529 | 378 | 619 | 14 | (441) | (120) | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **1,411** | **1,070** | **1,588** | **(554)** | **(1,536)** | **(282)** | **857** | **(466)** | **1,306** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | 15 | (2) | 6 | 15 | (2) | 6 |
| **Net income/(loss)** | **1,411** | **1,070** | **1,588** | **(539)** | **(1,538)** | **(276)** | **872** | **(468)** | **1,312** |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 0 | 0 | 0 | 13 | 8 | 9 |
| **Net income/(loss) attributable to shareholders** | **1,398** | **1,062** | **1,579** | **(539)** | **(1,538)** | **(276)** | **859** | **(476)** | **1,303** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 255,697 | 242,475 | 262,941 | 23,997 | 23,628 | 26,745 | 279,694 | 266,103 | 289,686 |
| Total assets | 833,536 | 821,207 | 886,213 | 43,263 | 47,975 | 55,986 | 876,799 | 869,182 | 942,199 |
| Swiss leverage exposure | 1,050,957 | 1,031,316 | 1,170,436 | 88,660 | 99,289 | 117,144 | 1,139,617 | 1,130,605 | 1,287,580 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### RESULTS OVERVIEW

**Core Results net revenues** of CHF 6,469 million decreased 8% compared to 1Q13.

In our strategic businesses, net revenues of CHF 6,553 million decreased 7% compared to 1Q13, with a decrease in Investment Banking and stable net revenues in Private Banking & Wealth Management. The decrease in Investment Banking was driven by weakness in rates and emerging markets, partially offset by strong performance in credit, securitized products and underwriting and advisory and solid equities results. Stable net revenues in Private Banking & Wealth Management reflected higher transaction- and performance based revenues and higher recurring commissions and fees, offset by lower net interest income and lower other revenues.

In our non-strategic businesses, we reported net revenue losses of CHF 84 million in 1Q14, compared to net revenues of zero in 1Q13. In Investment Banking we reported net revenue losses of CHF 147 million in 1Q14, compared to net revenue losses of CHF 72 million in 1Q13 as 1Q13 results reflected a gain of CHF 77 million from a sale in our real estate portfolio. A decrease in Private Banking & Wealth Management primarily reflected lower recurring commissions and fees due to the sale of non-strategic businesses during the course of 2013 and lower transaction- and performance-based revenues. Improved results in Corporate Center were primarily due to a cumulative translation adjustment loss of CHF 80 million from the sale of JO Hambro Investment Management (JO Hambro) in 1Q13 and a gain on sale of real estate of CHF 34 million in 1Q14.

▸ Refer to "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" for further information.

**Provision for credit losses** of CHF 34 million in 1Q14 primarily reflected net provisions of CHF 33 million in Private Banking & Wealth Management.

**Total operating expenses** of CHF 5,035 million were down 3% compared to 1Q13, primarily reflecting 21% lower commission expenses and 2% lower general and administrative expenses. In strategic businesses, total operating expenses of CHF 4,595 million decreased 4% compared to 1Q13, mainly reflecting a 7% decrease in general and administrative expenses. In non-strategic businesses, total operating expenses of CHF 440 million increased 11% compared to 1Q13, primarily reflecting a 32% increase in general and administrative expenses.

**Income tax expense** of CHF 543 million recorded in 1Q14 reflected the impact of the geographical mix of results and the impact of a New York state tax law change which resulted in a decrease of related deferred tax assets of CHF 151 million. Overall, net deferred tax assets decreased CHF 535 million to CHF 5,256 million as of the end of 1Q14 compared to 4Q13. Deferred tax assets on net operating losses increased by CHF 56 million to CHF 1,436 million during 1Q14. The Core Results effective tax rate was 38.8% in 1Q14, compared to 11.9% in 4Q13. Excluding the impact resulting from the New York state tax law change, the Core Results effective tax rate for 1Q14 was 28.0%.

▸ Refer to "Note 21 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

## Core Results reporting by region

| | | | in | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Net revenues (CHF million)** | | | | | |
| Switzerland | 1,712 | 1,735 | 1,787 | (1) | (4) |
| EMEA | 1,473 | 1,225 | 1,946 | 20 | (24) |
| Americas | 2,624 | 2,457 | 2,550 | 7 | 3 |
| Asia Pacific | 847 | 680 | 940 | 25 | (10) |
| Corporate Center | (187) | (177) | (205) | 6 | (9) |
| **Net revenues** | **6,469** | **5,920** | **7,018** | 9 | (8) |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Switzerland | 606 | 534 | 561 | 13 | 8 |
| EMEA | 111 | (174) | 599 | – | (81) |
| Americas | 848 | (625) | 669 | – | 27 |
| Asia Pacific | 274 | 125 | 352 | 119 | (22) |
| Corporate Center | (439) | (389) | (376) | 13 | 17 |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | – | (22) |

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

### Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized 6M11 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the expected future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the creation of the integrated Private Banking & Wealth Management division, exiting a number of small non-strategic markets, repositioning select non-profitable onshore operations, rationalization of front office and support functions, including simplification of our operating platform, streamlining of the offshore affluent and Swiss client coverage model and from announced divestitures. Within Investment Banking, we expect to deliver cost benefits from the restructuring of our rates business, the initiatives already completed in 2012, from continuing to review and realize efficiencies across business lines and geographic regions and from continuing to refine our business mix and align resources with highest returning opportunities. We expect to incur approximately CHF 1.2 billion of costs associated with these measures during the remainder of 2014 and 2015.

We incurred CHF 62 million of business realignment costs and CHF 61 million of IT architecture simplification expenses associated with these measures in 1Q14.

▸ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

### Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component.

The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

▸ Refer to "Compensation and benefits" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information.

### Personnel

Headcount at the end of 1Q14 was 45,600, down 400 from 4Q13 and down 1,300 from 1Q13. The decrease in 1Q14 reflected headcount reductions in Investment Banking and Private Banking & Wealth Management resulting from our cost efficiency initiatives, partly offset by contractor employee conversion. The changes in the segment headcount include a reallocation of 400 Shared Services employees from Investment Banking to Private Banking & Wealth Management in 1Q14. Prior periods have not been restated.

## Number of employees by division

| end of | **1Q14** | 4Q13 | 1Q13 |
|---|---|---|---|
| **Number of employees by division (full-time equivalents)** | | | |
| Private Banking & Wealth Management | 26,100 | 26,000 | 27,000 |
| Investment Banking | 19,200 | 19,700 | 19,600 |
| Corporate Center | 300 | 300 | 300 |
| **Number of employees** | **45,600** | **46,000** | **46,900** |

### Key performance indicators

Our key performance indicators (KPIs) for the Group and for our Private Banking & Wealth Management and Investment Banking divisions reflect our strategic plan, the regulatory environment and the market cycle. Our stated KPIs are measured on the basis of reported results.

We believe the execution of our strategic initiatives including the run-off of non-strategic operations, will enable us achieve our targets over a three to five year period across market cycles.

▸ Refer to "Key performance indicators" in Private Banking & Wealth Management and Investment Banking results for further information on divisional KPIs.

#### Collaboration revenues

Collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction. Within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand.

▸ Refer to "Key performance indicators" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2013 for further information on key performance indicators including collaboration revenues.

## Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. As such, year to date results may be more meaningful than individual quarterly results. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

| in / end of | **Target** | **1Q14** | **2013** | 2012 |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Collaboration revenues | 18 – 20% of net revenues | 15.9 | 17.7 | 18.6 |
| **Efficiency and performance (%)** | | | | |
| Total shareholder return (Credit Suisse) [1] | Superior return vs. peer group | 4.8 | 26.0 | 4.8 |
| Total shareholder return of peer group [1, 2] | – | (0.7) | 26.7 | 49.2 |
| Return on equity attributable to shareholders (annualized) | Above 15% | 8.0 | 5.7 | 3.9 |
| Core Results cost/income ratio | Below 70% | 77.8 | 85.4 | 91.1 |
| **Capital (%)** | | | | |
| Look-through CET1 ratio [3] | 11% | 10.0 | 10.0 | – |

1 Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the period.
2 The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JPMorgan Chase, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.
3 Updated in 1Q14 from a previous target of a Look-through Swiss Core Capital ratio above 10%.

## Overview of Core Results

| | Private Banking & Wealth Management | | | Investment Banking | | |
|---|---|---|---|---|---|---|
| in / end of period | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **3,240** | **3,429** | **3,278** | **3,416** | **2,668** | **3,945** |
| **Provision for credit losses** | **33** | **44** | **28** | **0** | **8** | **(6)** |
| Compensation and benefits | 1,290 | 1,314 | 1,379 | 1,521 | 1,355 | 1,485 |
| General and administrative expenses | 736 | 1,443 | 791 | 856 | 1,667 | 915 |
| Commission expenses | 169 | 204 | 199 | 212 | 202 | 251 |
| Total other operating expenses | 905 | 1,647 | 990 | 1,068 | 1,869 | 1,166 |
| **Total operating expenses** | **2,195** | **2,961** | **2,369** | **2,589** | **3,224** | **2,651** |
| **Income/(loss) from continuing operations before taxes** | **1,012** | **424** | **881** | **827** | **(564)** | **1,300** |
| Income tax expense/(benefit) | – | – | – | – | – | – |
| **Income/(loss) from continuing operations** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income/(loss) from discontinued operations | – | – | – | – | – | – |
| **Net income/(loss)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Net income attributable to noncontrolling interests | – | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on capital | 32.3 | 13.9 | 29.8 | 13.8 | – | 20.4 |
| Cost/income ratio | 67.7 | 86.4 | 72.3 | 75.8 | 120.8 | 67.2 |
| Pre-tax income margin | 31.2 | 12.4 | 26.9 | 24.2 | (21.1) | 33.0 |
| Effective tax rate | – | – | – | – | – | – |
| Net income margin | – | – | – | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III [3] | 99,730 | 94,395 | 98,321 | 164,065 | 156,402 | 172,808 |
| Total assets | 285,188 | 279,139 | 284,588 | 503,883 | 502,799 | 582,272 |
| Swiss leverage exposure | 328,281 | 324,483 | 336,843 | 725,507 | 722,500 | 891,763 |
| Net loans | 221,019 | 215,713 | 212,238 | 29,614 | 31,319 | 36,735 |
| Goodwill | 2,154 | 2,164 | 2,448 | 5,802 | 5,835 | 6,136 |

[1] Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI.
[2] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[3] Represents risk-weighted assets on a fully phased-in "look-through" basis.

| Corporate Center | | | Core Results [1] | | | of which strategic results | | | of which non-strategic results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| | | | | | | | | | | | |
| **(187)** | **(177)** | **(205)** | **6,469** | **5,920** | **7,018** | **6,553** | **6,038** | **7,018** | **(84)** | **(118)** | **0** |
| **1** | **1** | **0** | **34** | **53** | **22** | **18** | **36** | **16** | **16** | **17** | **6** |
| 166 | 119 | 126 | 2,977 | 2,788 | 2,990 | 2,797 | 2,599 | 2,802 | 180 | 189 | 188 |
| 97 | 109 | 25 | 1,689 | 3,219 | 1,731 | 1,436 | 1,583 | 1,540 | 253 | 1,636 | 191 |
| (12) | (17) | 20 | 369 | 389 | 470 | 362 | 372 | 453 | 7 | 17 | 17 |
| 85 | 92 | 45 | 2,058 | 3,608 | 2,201 | 1,798 | 1,955 | 1,993 | 260 | 1,653 | 208 |
| **251** | **211** | **171** | **5,035** | **6,396** | **5,191** | **4,595** | **4,554** | **4,795** | **440** | **1,842** | **396** |
| **(439)** | **(389)** | **(376)** | **1,400** | **(529)** | **1,805** | **1,940** | **1,448** | **2,207** | **(540)** | **(1,977)** | **(402)** |
| – | – | – | 543 | (63) | 499 | 529 | 378 | 619 | 14 | (441) | (120) |
| **–** | **–** | **–** | **857** | **(466)** | **1,306** | **1,411** | **1,070** | **1,588** | **(554)** | **(1,536)** | **(282)** |
| – | – | – | 15 | (2) | 6 | 0 | 0 | 0 | 15 | (2) | 6 |
| **–** | **–** | **–** | **872** | **(468)** | **1,312** | **1,411** | **1,070** | **1,588** | **(539)** | **(1,538)** | **(276)** |
| – | – | – | 13 | 8 | 9 | 13 | 8 | 9 | 0 | 0 | 0 |
| **–** | **–** | **–** | **859** | **(476)** | **1,303** | **1,398** | **1,062** | **1,579** | **(539)** | **(1,538)** | **(276)** |
| | | | | | | | | | | | |
| – | – | – | 14.4 [2] | – [2] | 18.2 [2] | 21.8 [2] | 16.5 [2] | 24.7 [2] | – | – | – |
| – | – | – | 77.8 | 108.0 | 74.0 | 70.1 | 75.4 | 68.3 | – | – | – |
| – | – | – | 21.6 | (8.9) | 25.7 | 29.6 | 24.0 | 31.4 | – | – | – |
| – | – | – | 38.8 | 11.9 | 27.6 | 27.3 | 26.1 | 28.0 | – | – | – |
| – | – | – | 13.3 | (8.0) | 18.6 | 21.3 | 17.6 | 22.5 | – | – | – |
| | | | | | | | | | | | |
| 15,899 | 15,306 | 18,557 | 279,694 | 266,103 | 289,686 | 255,697 | 242,475 | 262,941 | 23,997 | 23,628 | 26,745 |
| 87,728 | 87,244 | 75,339 | 876,799 | 869,182 | 942,199 | 833,536 | 821,207 | 886,213 | 43,263 | 47,975 | 55,986 |
| 85,829 | 83,622 | 58,974 | 1,139,617 | 1,130,605 | 1,287,580 | 1,050,957 | 1,031,316 | 1,170,436 | 88,660 | 99,289 | 117,144 |
| 26 | 22 | 22 | 250,659 | 247,054 | 248,995 | – | – | – | – | – | – |
| – | – | – | 7,956 | 7,999 | 8,584 | – | – | – | – | – | – |

# Private Banking & Wealth Management

In 1Q14, we reported income before taxes of CHF 1,012 million and net revenues of CHF 3,240 million.

In our strategic businesses, we reported income before taxes of CHF 965 million and net revenues of CHF 3,031 million. Net revenues were lower compared to 4Q13 mainly due to seasonally higher fourth-quarter transaction- and performance-based revenues and lower net interest income. Compared to 1Q13, income before taxes increased 28%, driven by lower operating expenses.

In our non-strategic businesses, we reported income before taxes of CHF 47 million. In 4Q13, we reported losses before taxes of CHF 624 million, reflecting substantial litigation provisions in connection with the US tax matter.

In 1Q14, assets under management for the division were CHF 1,292.5 billion and we attracted net new assets of CHF 13.7 billion.

## Divisional results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,240** | **3,429** | **3,278** | (6) | (1) |
| of which strategic results | 3,031 | 3,260 | 3,008 | (7) | 1 |
| of which non-strategic results | 209 | 169 | 270 | 24 | (23) |
| **Provision for credit losses** | **33** | **44** | **28** | (25) | 18 |
| Compensation and benefits | 1,290 | 1,314 | 1,379 | (2) | (6) |
| General and administrative expenses | 736 | 1,443 | 791 | (49) | (7) |
| Commission expenses | 169 | 204 | 199 | (17) | (15) |
| Total other operating expenses | 905 | 1,647 | 990 | (45) | (9) |
| **Total operating expenses** | **2,195** | **2,961** | **2,369** | (26) | (7) |
| of which strategic results | 2,049 | 2,185 | 2,229 | (6) | (8) |
| of which non-strategic results | 146 | 776 | 140 | (81) | 4 |
| **Income before taxes** | **1,012** | **424** | **881** | 139 | 15 |
| of which strategic results | 965 | 1,048 | 756 | (8) | 28 |
| of which non-strategic results | 47 | (624) | 125 | – | (62) |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 32.3 | 13.9 | 29.8 | – | – |
| Cost/income ratio | 67.7 | 86.4 | 72.3 | – | – |
| Pre-tax income margin | 31.2 | 12.4 | 26.9 | – | – |
| **Utilized economic capital and return** | | | | | |
| Average utilized economic capital (CHF million) | 9,392 | 9,504 | 9,877 | (1) | (5) |
| Pre-tax return on average utilized economic capital (%) [2] | 43.6 | 18.4 | 36.2 | – | – |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 1,292.5 | 1,282.4 | 1,311.6 | 0.8 | (1.5) |
| Net new assets | 13.7 | 4.4 | 12.0 | 211.4 | 14.2 |
| **Number of employees and relationship managers** | | | | | |
| Number of employees (full-time equivalents) | 26,100 | 26,000 | 27,000 | 0 | (3) |
| Number of relationship managers | 4,410 | 4,330 | 4,530 | 2 | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

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

## Divisional results (continued)

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 979 | 1,058 | 1,045 | (7) | (6) |
| Recurring commissions and fees | 1,189 | 1,232 | 1,219 | (3) | (2) |
| Transaction- and performance-based revenues | 937 | 1,186 | 919 | (21) | 2 |
| Other revenues [1] | 135 | (47) | 95 | – | 42 |
| **Net revenues** | **3,240** | **3,429** | **3,278** | (6) | (1) |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 53 | 76 | 52 | (30) | 2 |
| Releases of provisions | (20) | (32) | (24) | (38) | (17) |
| **Provision for credit losses** | **33** | **44** | **28** | (25) | 18 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Net loans | 221,019 | 215,713 | 212,238 | 2 | 4 |
| of which Wealth Management Clients | 154,095 | 149,728 | 147,782 | 3 | 4 |
| of which Corporate & Institutional Clients | 63,521 | 62,446 | 60,458 | 2 | 5 |
| Deposits | 292,687 | 288,770 | 282,422 | 1 | 4 |
| of which Wealth Management Clients | 208,750 | 208,210 | 207,744 | 0 | 0 |
| of which Corporate & Institutional Clients | 78,339 | 74,459 | 67,604 | 5 | 16 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

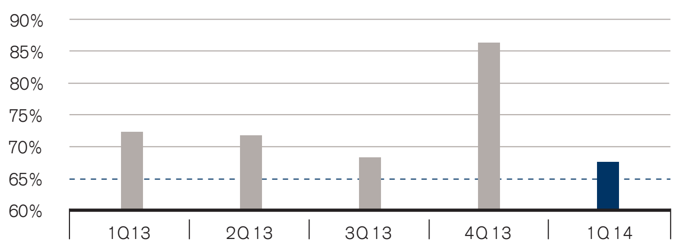
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 1Q14, the cost/income ratio was 67.7%, down five percentage points compared to 1Q13 and down nineteen percentage points compared to 4Q13. The cost/income ratio for our strategic results was 67.6% in 1Q14, down seven percentage points compared to 1Q13 and up one percentage point compared to 4Q13.

We also target net new assets growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 1Q14, the annualized quarterly growth rates in Wealth Management Clients and Asset Management were 5.4% and 7.8%, respectively.

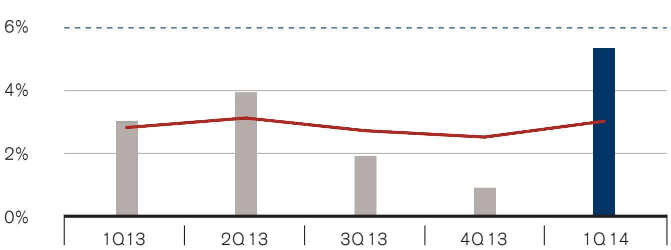
▸ Refer to "Key performance indicators" in Core Results for further information.

### Cost/income ratio (KPI)
Private Banking & Wealth Management



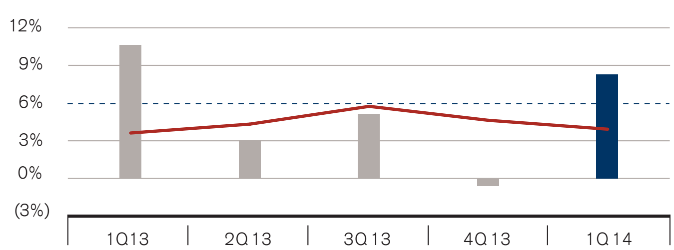

--- Target is a cost/income ratio of 65%.

### Net new assets growth rate (KPI)
Wealth Management Clients




--- Target is an annualized rate of 6%.
— Net new assets growth rate (rolling four-quarter average)

### Net new assets growth rate (KPI)
Asset Management




--- Target is an annualized rate of 6%.
— Net new assets growth rate (rolling four-quarter average)

## Strategic and non-strategic results

| | | Strategic results | | | Non-strategic results | | | Private Banking & Wealth Management | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **3,031** | **3,260** | **3,008** | **209** | **169** | **270** | **3,240** | **3,429** | **3,278** |
| **Provision for credit losses** | **17** | **27** | **23** | **16** | **17** | **5** | **33** | **44** | **28** |
| Compensation and benefits | 1,225 | 1,242 | 1,307 | 65 | 72 | 72 | 1,290 | 1,314 | 1,379 |
| Total other operating expenses | 824 | 943 | 922 | 81 | 704 | 68 | 905 | 1,647 | 990 |
| **Total operating expenses** | **2,049** | **2,185** | **2,229** | **146** | **776** | **140** | **2,195** | **2,961** | **2,369** |
| **Income/(loss) before taxes** | **965** | **1,048** | **756** | **47** | **(624)** | **125** | **1,012** | **424** | **881** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 92,169 | 88,316 | 90,752 | 7,561 | 6,079 | 7,569 | 99,730 | 94,395 | 98,321 |
| Total assets | 267,332 | 258,447 | 261,165 | 17,856 | 20,692 | 23,423 | 285,188 | 279,139 | 284,588 |
| Swiss leverage exposure | 309,672 | 302,894 | 312,280 | 18,609 | 21,589 | 24,563 | 328,281 | 324,483 | 336,843 |

# Strategic results

### OVERVIEW

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

### 1Q14 results

In 1Q14, our strategic businesses reported income before taxes of CHF 965 million and net revenues of CHF 3,031 million.

Net revenues were 7% lower compared to 4Q13 largely driven by significant seasonal performance fees in Asset Management in 4Q13. Compared to 1Q13, net revenues were stable with higher transaction- and performance-based revenues and slightly higher recurring commissions and fees, offset by lower net interest income and lower other revenues. Provision for credit losses was CHF 17 million on a net loan portfolio of CHF 217.6 billion. Total operating expenses were lower compared to both 4Q13 and 1Q13.

## Strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 963 | 1,038 | 1,019 | (7) | (5) |
| Recurring commissions and fees | 1,139 | 1,149 | 1,101 | (1) | 3 |
| Transaction- and performance-based revenues | 919 | 1,137 | 874 | (19) | 5 |
| Other revenues | 10 | (64) | 14 | – | (29) |
| **Net revenues** | **3,031** | **3,260** | **3,008** | (7) | 1 |
| New provisions | 36 | 58 | 47 | (38) | (23) |
| Releases of provisions | (19) | (31) | (24) | (39) | (21) |
| **Provision for credit losses** | **17** | **27** | **23** | (37) | (26) |
| Compensation and benefits | 1,225 | 1,242 | 1,307 | (1) | (6) |
| General and administrative expenses | 660 | 750 | 736 | (12) | (10) |
| Commission expenses | 164 | 193 | 186 | (15) | (12) |
| Total other operating expenses | 824 | 943 | 922 | (13) | (11) |
| **Total operating expenses** | **2,049** | **2,185** | **2,229** | (6) | (8) |
| **Income before taxes** | **965** | **1,048** | **756** | (8) | 28 |
| of which Wealth Management Clients | 578 | 466 | 454 | 24 | 27 |
| of which Corporate & Institutional Clients | 246 | 213 | 239 | 15 | 3 |
| of which Asset Management | 141 | 369 | 63 | (62) | 124 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 33.0 | 36.8 | 27.7 | – | – |
| Cost/income ratio | 67.6 | 67.0 | 74.1 | – | – |
| Pre-tax income margin | 31.8 | 32.1 | 25.1 | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 92,169 [2] | 88,316 [3] | 90,752 | 4 | 2 |
| Total assets | 267,332 | 258,447 | 261,165 | 3 | 2 |
| Swiss leverage exposure | 309,672 | 302,894 | 312,280 | 2 | (1) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Includes the impact from external methodology changes in operational risk of CHF 2.2 billion.
[3] Includes the impact of an operational risk add-on of CHF 1.6 billion.

### RESULTS DETAIL

The following provides a comparison of our 1Q14 strategic results versus 1Q13 (YoY) and versus 4Q13 (QoQ).

#### Net revenues

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

**YoY: Stable at CHF 3,031 million**

Net revenues were stable as higher transaction- and performance-based revenues and slightly higher recurring commissions and fees were offset by lower net interest income and lower other revenues. Transaction- and performance-based revenues were higher with higher carried interest on realized private equity gains and higher corporate advisory fees, partially offset by lower sales and trading income and lower foreign exchange client business. Slightly higher recurring commissions and fees reflected higher investment account and services fees, higher discretionary mandate management fees and higher banking services fees, partially offset by lower investment product management fees. In a low interest rate environment, net interest income was lower due to significantly lower deposit margins and stable loan margins on higher average deposit and loan volumes. Lower other revenues reflected lower investment-related gains.

**QoQ: Down 7% from CHF 3,260 million to CHF 3,031 million**

Lower net revenues primarily reflected significantly lower transaction- and performance-based revenues and lower net interest income, partially offset by higher other revenues. Significantly lower transaction- and performance-based revenues reflected seasonally higher performance fees in Asset Management in 4Q13, partially offset by higher brokerage and product issuing fees and higher sales and trading income in 1Q14. Lower net interest income reflected lower deposit margins on stable average deposit volumes and slightly higher loan margins on slightly higher average loan volumes. Higher other revenues mainly reflected an impairment related to Asset Management Finance LLC (AMF) in 4Q13. Stable recurring commissions and fees mainly reflected lower asset management fees and lower investment product management fees, offset by higher banking services fees and higher discretionary mandate management fees.

### Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

**YoY: Down 26% from CHF 23 million to CHF 17 million**

Provision for credit losses decreased CHF 6 million. Wealth Management Clients recorded net provisions of CHF 16 million and Corporate & Institutional Clients recorded net provisions of CHF 1 million in 1Q14.

**QoQ: Down 37% from CHF 27 million to CHF 17 million**

Provision for credit losses was lower in Wealth Management Clients and lower in Corporate & Institutional Clients. In 4Q13, Wealth Management Clients recorded net provisions of CHF 18 million while Corporate & Institutional Clients recorded net provisions of CHF 9 million.

### Operating expenses

#### Compensation and benefits

**YoY: Down 6% from CHF 1,307 million to CHF 1,225 million**

Lower compensation and benefits mainly reflected lower salary expenses, mostly as a result of the lower headcount.

**QoQ: Stable at CHF 1,225 million**

Slightly lower discretionary performance-related compensation and lower salary expenses were offset by slightly higher deferred compensation.

#### General and administrative expenses

**YoY: Down 10% from CHF 736 million to CHF 660 million**

Lower general and administrative expenses primarily reflected lower expense provisions and lower occupancy fees.

**QoQ: Down 12% from CHF 750 million to CHF 660 million**

Lower general and administrative expenses primarily reflected lower professional services fees, lower expense provisions and lower advertising and marketing costs.

### Business developments

In April 2014, we entered into an agreement with the current head of Credit Suisse Hedging-Griffo Asset Management pursuant to which he will be the controlling shareholder of a new firm, Verde Asset Management, and we will be a minority shareholder. The new structure for this relationship follows a model adopted by our Asset Management business designed to strengthen its platform in Brazil. The transaction is subject to customary closing conditions and the approval of the change of management to Verde Asset Management by shareholders of the relevant funds managed by Credit Suisse Hedging-Griffo. The transaction is expected to close by year-end 2014.

## WEALTH MANAGEMENT CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 5% from CHF 746 million to CHF 706 million**

Lower net interest income reflected the low interest environment, significantly lower deposit margins on slightly higher average deposit volumes and stable loan margins on higher average loan volumes and lower levels of deposits eligible as stable funding.

**QoQ: Down 7% from CHF 760 million to CHF 706 million**

Lower net interest income reflected lower deposit margins and slightly higher loan margins on stable average deposit and loan volumes.

#### Recurring commissions and fees

**YoY: Up 2% from CHF 717 million to CHF 730 million**

Recurring commissions and fees were slightly higher with higher investment account and services fees and higher discretionary mandate management fees, partially offset by lower investment product management fees, including lower retrocession revenues.

**QoQ: Down 2% from CHF 742 million to CHF 730 million**

Recurring commissions and fees were slightly lower with lower investment product management fees, partially offset by higher discretionary mandate management fees.

#### Transaction- and performance-based revenues

**YoY: Up 2% from CHF 624 million to CHF 638 million**

Transaction- and performance-based revenues increased slightly reflecting higher corporate advisory fees and higher placement and transaction fees, partially offset by lower foreign exchange client business.

**QoQ: Up 15% from CHF 554 million to CHF 638 million**

The increase in transaction- and performance-based revenues was driven by higher brokerage and product issuing fees and higher sales and trading revenues, partially offset by lower performance fees.

## Results – Wealth Management Clients

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | 1Q14 | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **2,074** | **2,056** | **2,087** | 1 | (1) |
| **Provision for credit losses** | **16** | **18** | **19** | (11) | (16) |
| **Total operating expenses** | **1,480** | **1,572** | **1,614** | (6) | (8) |
| **Income before taxes** | **578** | **466** | **454** | 24 | 27 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 71.4 | 76.5 | 77.3 | – | – |
| Pre-tax income margin | 27.9 | 22.7 | 21.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 706 | 760 | 746 | (7) | (5) |
| Recurring commissions and fees | 730 | 742 | 717 | (2) | 2 |
| Transaction- and performance-based revenues | 638 | 554 | 624 | 15 | 2 |
| **Net revenues** | **2,074** | **2,056** | **2,087** | 1 | (1) |
| **Gross and net margin (annualized) (bp)** | | | | | |
| Net interest income | 35 | 38 | 38 | – | – |
| Recurring commissions and fees | 37 | 38 | 37 | – | – |
| Transaction- and performance-based revenues | 32 | 28 | 32 | – | – |
| **Gross margin** [1] | **104** | **104** | **107** | – | – |
| **Net margin** [2] | **29** | **23** | **23** | – | – |
| **Number of relationship managers** | | | | | |
| Switzerland | 1,690 | 1,590 | 1,610 | 6 | 5 |
| EMEA | 1,150 | 1,180 | 1,290 | (3) | (11) |
| Americas | 560 | 560 | 630 | 0 | (11) |
| Asia Pacific | 460 | 440 | 430 | 5 | 7 |
| **Number of relationship managers** | **3,860** | **3,770** | **3,960** | **2** | **(3)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

1 Net revenues divided by average assets under management.

2 Income before taxes divided by average assets under management.

### Gross margin

Our gross margin was 104 basis points in 1Q14, three basis points lower compared to 1Q13, mainly reflecting a continued adverse interest rate environment. Compared to 4Q13, our gross margin was stable, with higher transaction- and performance-based revenues offset by lower net interest income.

### Net margin

Our net margin was 29 basis points in 1Q14, six basis points higher compared to 1Q13 and 4Q13, reflecting a lower expense base.

## Assets under management – Wealth Management Clients

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management by region (CHF billion)** | | | | | |
| Switzerland | 280.2 | 270.9 | 262.0 | 3.4 | 6.9 |
| EMEA | 227.2 | 231.3 | 243.6 | (1.8) | (6.7) |
| Americas | 176.3 | 172.9 | 176.7 | 2.0 | (0.2) |
| Asia Pacific | 121.2 | 115.6 | 112.1 | 4.8 | 8.1 |
| **Assets under management** | **804.9** | **790.7** | **794.4** | 1.8 | 1.3 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 797.4 | 793.3 | 778.6 | 0.5 | 2.4 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 309.8 | 306.1 | 304.8 | 1.2 | 1.6 |
| EUR | 154.8 | 152.6 | 151.9 | 1.4 | 1.9 |
| CHF | 191.5 | 187.1 | 191.1 | 2.4 | 0.2 |
| Other | 148.8 | 144.9 | 146.6 | 2.7 | 1.5 |
| **Assets under management** | **804.9** | **790.7** | **794.4** | 1.8 | 1.3 |
| **Net new assets by region (CHF billion)** | | | | | |
| Switzerland | 4.6 | (1.4) | 0.3 | – | – |
| EMEA | (0.4) | (0.7) | 1.2 | (42.9) | – |
| Americas | 1.5 | 1.1 | 1.6 | 36.4 | (6.3) |
| Asia Pacific | 4.9 | 2.7 | 2.6 | 81.5 | 88.5 |
| **Net new assets** | **10.6** | **1.7** | **5.7** | – | 86.0 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 10.6 | 1.7 | 5.7 | – | – |
| Other effects | 3.6 | 6.1 | 30.7 | – | – |
| of which market movements | 5.7 | 15.5 | 19.9 | – | – |
| of which currency | (1.6) | (8.9) | 13.3 | – | – |
| of which other | (0.5) | (0.5) | (2.5) | – | – |
| **Growth in assets under management** | **14.2** | **7.8** | **36.4** | – | – |
| **Growth in assets under management (annualized) (%)** | | | | | |
| Net new assets | 5.4 | 0.9 | 3.0 | – | – |
| Other effects | 1.8 | 3.1 | 16.2 | – | – |
| **Growth in assets under management (annualized)** | **7.2** | **4.0** | **19.2** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 3.0 | 2.5 | 2.8 | – | – |
| Other effects | (1.7) | 1.8 | 6.0 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **1.3** | **4.3** | **8.8** | – | – |

## CORPORATE & INSTITUTIONAL CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 6% from CHF 273 million to CHF 257 million**

The decrease reflected significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes.

**QoQ: Down 8% from CHF 278 million to CHF 257 million**

The decrease reflected lower deposit margins on higher average deposit volumes and slightly higher loan margins on slightly higher average loan volumes.

#### Recurring commissions and fees

**YoY: Up 10% from CHF 111 million to CHF 122 million**

The increase in recurring commissions and fees primarily reflected higher banking services fees.

**QoQ: Up 13% from CHF 108 million to CHF 122 million**

The increase primarily reflected higher banking services fees, partially offset by lower investment account and services fees.

#### Transaction- and performance-based revenues

**YoY: Down 3% from CHF 121 million to CHF 117 million**

Slightly lower transaction- and performance-based revenues reflected lower sales and trading income and lower brokerage and product issuing fees, partially offset by higher foreign exchange client business.

**QoQ: Up 15% from CHF 102 million to CHF 117 million**

Higher transaction- and performance-based revenues reflected higher sales and trading revenues, higher brokerage and product issuing fees and higher corporate advisory fees.

### Results – Corporate & Institutional Clients

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **492** | **485** | **500** | 1 | (2) |
| **Provision for credit losses** | **1** | **9** | **4** | (89) | (75) |
| **Total operating expenses** | **245** | **263** | **257** | (7) | (5) |
| **Income before taxes** | **246** | **213** | **239** | 15 | 3 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 49.8 | 54.2 | 51.4 | – | – |
| Pre-tax income margin | 50.0 | 43.9 | 47.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 257 | 278 | 273 | (8) | (6) |
| Recurring commissions and fees | 122 | 108 | 111 | 13 | 10 |
| Transaction- and performance-based revenues | 117 | 102 | 121 | 15 | (3) |
| Other revenues [1] | (4) | (3) | (5) | 33 | (20) |
| **Net revenues** | **492** | **485** | **500** | 1 | (2) |
| **Number of relationship managers** | | | | | |
| Number of relationship managers (Switzerland) | 550 | 560 | 570 | (2) | (4) |

[1] Reflects fair value gains/(losses) on the Clock Finance transaction.

# ASSET MANAGEMENT

## Net revenues

### Fee-based revenues

**YoY: Up 13% from CHF 387 million to CHF 438 million**

The increase reflected higher carried interest on realized private equity gains and higher asset management fees, partially offset by lower private equity placement fees. The higher asset management fees reflected higher average assets under management in alternative products.

**QoQ: Down 43% from CHF 769 million to CHF 438 million**

The decrease primarily reflected lower performance fees and carried interest and private equity placement fees. The decrease in performance fees primarily reflected annual performance fees from single manager hedge funds and semi-annual fees from Hedging-Griffo in 4Q13 and lower carried interest from realized private equity gains in 1Q14.

### Investment-related gains/(losses)

**YoY: Down 42% from CHF 33 million to CHF 19 million**

1Q13 results reflected higher gains in hedge fund investments and the real estate sector.

**QoQ: Stable at CHF 19 million**

4Q13 and 1Q14 results primarily reflected gains in hedge fund investments.

### Equity participations and other gains/(losses)

**QoQ: Up from CHF (68) million to zero**

In 4Q13, we recognized an impairment of CHF 68 million related to AMF.

## Results – Asset Management

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **324** | **350** | **358** | (7) | (9) |
| **Income before taxes** | **141** | **369** | **63** | (62) | 124 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 69.7 | 48.7 | 85.0 | – | – |
| Pre-tax income margin | 30.3 | 51.3 | 15.0 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Recurring commissions and fees | 287 | 299 | 273 | (4) | 5 |
| Transaction- and performance-based revenues | 164 | 481 | 129 | (66) | 27 |
| Other revenues | 14 | (61) | 19 | – | (26) |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Net revenue detail by type (CHF million)** | | | | | |
| Asset management fees | 287 | 299 | 273 | (4) | 5 |
| Placement, transaction and other fees | 56 | 116 | 60 | (52) | (7) |
| Performance fees and carried interest | 80 | 342 | 44 | (77) | 82 |
| Equity participations income | 15 | 12 | 10 | 25 | 50 |
| Fee-based revenues | 438 | 769 | 387 | (43) | 13 |
| Investment-related gains/(losses) | 19 | 19 | 33 | 0 | (42) |
| Equity participations and other gains/(losses) | 0 | (68) | 0 | 100 | – |
| Other revenues [1] | 8 | (1) | 1 | – | – |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | |
| Fee-based margin [2] | 49 | 87 | 46 | – | – |

1 Includes allocated funding costs.
2 Fee-based revenues divided by average assets under management.

## Assets under management – Asset Management

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Hedge funds | 30.9 | 29.8 | 27.1 | 3.7 | 14.0 |
| Private equity | 0.7 | 0.6 | 0.4 | 16.7 | 75.0 |
| Real estate & commodities | 52.4 | 50.5 | 49.9 | 3.8 | 5.0 |
| Credit | 32.2 | 30.0 | 26.2 | 7.3 | 22.9 |
| Index strategies | 78.1 | 75.1 | 72.2 | 4.0 | 8.2 |
| Multi-asset class solutions | 105.6 | 104.0 | 108.8 | 1.5 | (2.9) |
| Fixed income & equities | 53.4 | 54.4 | 56.1 | (1.8) | (4.8) |
| Other | 10.1 | 7.9 | 6.3 | 27.8 | 60.3 |
| **Assets under management** | **363.4** | **352.3** | **347.0** | 3.2 | 4.7 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 357.2 | 352.5 | 336.5 | 1.3 | 6.2 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 78.1 | 74.9 | 69.1 | 4.3 | 13.0 |
| EUR | 51.2 | 50.5 | 49.1 | 1.4 | 4.3 |
| CHF | 200.7 | 196.4 | 197.8 | 2.2 | 1.5 |
| Other | 33.4 | 30.5 | 31.0 | 9.5 | 7.7 |
| **Assets under management** | **363.4** | **352.3** | **347.0** | 3.2 | 4.7 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets [1] | 6.9 | (0.5) | 8.5 | – | – |
| Other effects | 4.2 | 3.8 | 13.2 | – | – |
| of which market movements | 4.2 | 6.5 | 9.7 | – | – |
| of which currency | (0.5) | (2.8) | 3.5 | – | – |
| of which other | 0.5 | 0.1 | 0.0 | – | – |
| **Growth in assets under management** | **11.1** | **3.3** | **21.7** | – | – |
| **Growth in assets under management (annualized) (%)** | | | | | |
| Net new assets | 7.8 | (0.6) | 10.5 | – | – |
| Other effects | 4.8 | 4.4 | 16.2 | – | – |
| **Growth in assets under management (annualized)** | **12.6** | **3.8** | **26.7** | – | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | |
| Net new assets | 3.9 | 4.6 | 3.6 | – | – |
| Other effects | 0.8 | 3.7 | 6.5 | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **4.7** | **8.3** | **10.1** | – | – |
| **Principal investments (CHF billion)** | | | | | |
| Principal investments | 1.0 | 0.9 | 1.2 | 11.1 | (16.7) |

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

# Non-strategic results

## OVERVIEW

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

### 1Q14 results

In 1Q14, our non-strategic businesses reported income before taxes of CHF 47 million, including an equity participation gain of CHF 91 million from the sale in January 2014 of CFIG, our private equity fund of funds and co-investment business. In 4Q13, our non-strategic businesses reported a loss before taxes of CHF 624 million, reflecting litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014.

### Non-strategic results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **209** | **169** | **270** | 24 | (23) |
| **Provision for credit losses** | **16** | **17** | **5** | (6) | 220 |
| Compensation and benefits | 65 | 72 | 72 | (10) | (10) |
| Total other operating expenses | 81 | 704 | 68 | (88) | 19 |
| **Total operating expenses** | **146** | **776** | **140** | (81) | 4 |
| **Income/(loss) before taxes** | **47** | **(624)** | **125** | – | (62) |
| **Revenue details (CHF million)** | | | | | |
| Restructuring of select onshore businesses | 22 | 28 | 74 | (21) | (70) |
| Legacy cross-border business and small markets | 44 | 52 | 51 | (15) | (14) |
| Restructuring of former Asset Management division | 134 | 54 | 111 | 148 | 21 |
| Other | 9 | 35 | 34 | (74) | (74) |
| **Net revenues** | **209** | **169** | **270** | 24 | (23) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 7,561 | 6,079 | 7,569 | 24 | 0 |
| Total assets | 17,856 | 20,692 | 23,423 | (14) | (24) |
| Swiss leverage exposure | 18,609 | 21,589 | 24,563 | (14) | (24) |

## RESULTS DETAIL

The following provides a comparison of our 1Q14 non-strategic results versus 1Q13 (YoY) and versus 4Q13 (QoQ).

### Net revenues

**YoY: Down 23% from CHF 270 million to CHF 209 million**

The decrease in net revenues primarily reflected lower recurring commissions and fees due to the sale of non-strategic businesses during the course of 2013 and lower transaction- and performance-based revenues. Investment-related gains were also lower, partially offset by the equity participations gain of CHF 91 million from the sale of CFIG in January 2014.

**QoQ: Up 24% from CHF 169 million to CHF 209 million**

The increase mainly reflected the gain from the sale of CFIG in 1Q14, partially offset by lower recurring commissions and fees and lower transaction- and performance-based revenues from the sale of non-strategic businesses.

### Operating expenses

**YoY: Up 4% from CHF 140 million to CHF 146 million**

Higher operating expenses reflected severance expenses related to a business sale that we expect to complete in the course of 2014, partially offset by lower expenses resulting from the sale of businesses during 2013.

**QoQ: Down 81% from CHF 776 million to CHF 146 million**

Lower operating expenses reflected the litigation provisions of CHF 600 million in connection with the US tax matter, costs related to the sale of former Asset Management businesses and a goodwill impairment of CHF 12 million resulting from the creation of the non-strategic reporting unit, all in 4Q13.

### Business developments

On January 2, 2014, we completed the sale of CFIG to Grosvenor Capital Management.

In March 2014, we completed the spin-off of DLJ Merchant Banking Partners, our mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management.

# Assets under management

In 1Q14, assets under management of CHF 1,292.5 billion increased CHF 10.1 billion compared to the end of 4Q13, as positive market movements and net new assets were partially offset by structural effects, mostly arising from disposals of businesses in the non-strategic unit, and adverse foreign exchange-related movements.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 10.6 billion in 1Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, and Switzerland, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.4 billion in 1Q14. Asset Management reported net new assets of CHF 6.9 billion in 1Q14, driven by inflows in credit products and traditional products, with substantial contribution from index strategies, and partially offset by net asset outflows in fixed income products.

Assets under management in our non-strategic portfolio decreased to CHF 25.9 billion from CHF 44.4 billion in 4Q13 mainly as a result of the sale of CFIG.

## Assets under management – Private Banking & Wealth Management

| | | in / end of | | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management by business (CHF billion)** | | | | | |
| Wealth Management Clients | 804.9 | 790.7 | 794.4 | 1.8 | 1.3 |
| Corporate & Institutional Clients | 254.4 | 250.0 | 238.7 | 1.8 | 6.6 |
| Asset Management | 363.4 | 352.3 | 347.0 | 3.2 | 4.7 |
| Non-strategic | 25.9 | 44.4 | 85.4 | (41.7) | (69.7) |
| Assets managed across businesses [1] | (156.1) | (155.0) | (153.9) | 0.7 | 1.4 |
| **Assets under management** | **1,292.5** | **1,282.4** | **1,311.6** | 0.8 | (1.5) |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 1,282.1 | 1,284.6 | 1,285.4 | (0.2) | (0.3) |
| **Net new assets by business (CHF billion)** | | | | | |
| Wealth Management Clients | 10.6 | 1.7 | 5.7 | – | 86.0 |
| Corporate & Institutional Clients | 0.4 | 4.0 | 4.5 | (90.0) | (91.1) |
| Asset Management | 6.9 | (0.5) | 8.5 | – | (18.8) |
| Non-strategic | (2.3) | (1.0) | (2.3) | 130.0 | 0.0 |
| Assets managed across businesses [1] | (1.9) | 0.2 | (4.4) | – | (56.8) |
| **Net new assets** | **13.7** | **4.4** | **12.0** | 211.4 | 14.2 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

# Investment Banking

In 1Q14, Investment Banking reported income before taxes of CHF 827 million and net revenues of CHF 3,416 million. Investment Banking delivered solid results amid a challenging market environment. In our strategic businesses, net revenues declined 11% compared to 1Q13 as strong performance in our credit, securitized products and underwriting and advisory and solid equities results were offset by significantly reduced first quarter seasonal contribution from rates and certain emerging markets than experienced in previous years. Compared to 4Q13, our strategic businesses delivered significantly improved revenues, reflecting seasonally stronger trading volumes and client activity in our fixed income and equities businesses which more than offset lower results in our underwriting and advisory franchises. In 1Q14, we made progress in winding-down the non-strategic unit, including reducing leverage exposure, risk-weighted assets and funding costs.

## Divisional results

| | | in / end of | | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,416** | **2,668** | **3,945** | 28 | (13) |
| of which strategic results | 3,563 | 2,795 | 4,017 | 27 | (11) |
| of which non-strategic results | (147) | (127) | (72) | 16 | 104 |
| **Provision for credit losses** | **0** | **8** | **(6)** | (100) | 100 |
| Compensation and benefits | 1,521 | 1,355 | 1,485 | 12 | 2 |
| General and administrative expenses | 856 | 1,667 | 915 | (49) | (6) |
| Commission expenses | 212 | 202 | 251 | 5 | (16) |
| Total other operating expenses | 1,068 | 1,869 | 1,166 | (43) | (8) |
| **Total operating expenses** | **2,589** | **3,224** | **2,651** | (20) | (2) |
| of which strategic results | 2,439 | 2,319 | 2,477 | 5 | (2) |
| of which non-strategic results | 150 | 905 | 174 | (83) | (14) |
| **Income/(loss) before taxes** | **827** | **(564)** | **1,300** | – | (36) |
| of which strategic results | 1,124 | 468 | 1,547 | 140 | (27) |
| of which non-strategic results | (297) | (1,032) | (247) | (71) | 20 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 13.8 | – | 20.4 | – | – |
| Cost/income ratio | 75.8 | 120.8 | 67.2 | – | – |
| Pre-tax income margin | 24.2 | (21.1) | 33.0 | – | – |
| **Utilized economic capital and return** | | | | | |
| Average utilized economic capital (CHF million) | 20,225 | 19,469 | 19,249 | 4 | 5 |
| Pre-tax return on average utilized economic capital (%) [2] | 16.9 | (11.1) | 27.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 19,200 | 19,700 | 19,600 | (3) | (2) |

1 Calculated using income after tax denominated in USD; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
2 Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

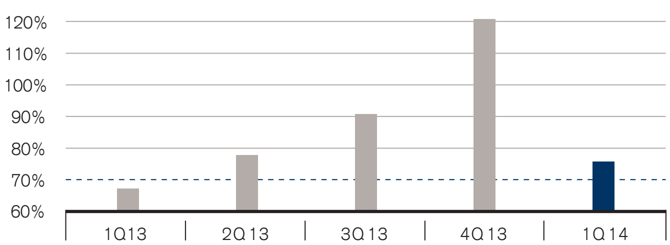
| | | in / end of | | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Debt underwriting | 468 | 482 | 461 | (3) | 2 |
| Equity underwriting | 183 | 273 | 157 | (33) | 17 |
| Total underwriting | 651 | 755 | 618 | (14) | 5 |
| Advisory and other fees | 180 | 194 | 145 | (7) | 24 |
| **Total underwriting and advisory** | **831** | **949** | **763** | (12) | 9 |
| Fixed income sales and trading | 1,489 | 746 | 1,987 | 100 | (25) |
| Equity sales and trading | 1,201 | 1,050 | 1,297 | 14 | (7) |
| **Total sales and trading** | **2,690** | **1,796** | **3,284** | 50 | (18) |
| Other | (105) | (77) | (102) | 36 | 3 |
| **Net revenues** | **3,416** | **2,668** | **3,945** | 28 | (13) |
| **Average one-day, 98% risk management Value-at-Risk (CHF million)** | | | | | |
| Interest rate | 12 | 12 | 23 | 0 | (48) |
| Credit spread | 31 | 33 | 38 | (6) | (18) |
| Foreign exchange | 11 | 9 | 8 | 22 | 38 |
| Commodity | 3 | 2 | 2 | 50 | 50 |
| Equity | 19 | 17 | 17 | 12 | 12 |
| Diversification benefit | (35) | (33) | (48) | 6 | (27) |
| **Average one-day, 98% risk management Value-at-Risk** | **41** | **40** | **40** | 2 | 2 |

### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 75.8% in 1Q14, compared to 120.8% in 4Q13 and 67.2% in 1Q13. The cost/income ratio for our strategic results was 68.5% in 1Q14 compared to 83.0% in 4Q13 and 61.7% in 1Q13.

▸ Refer to "Key performance indicators" in Core Results for further information.

**Cost/income ratio (KPI)**
Investment Banking




--- Target is a cost/income ratio of 70%.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Investment Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **3,563** | **2,795** | **4,017** | **(147)** | **(127)** | **(72)** | **3,416** | **2,668** | **3,945** |
| **Provision for credit losses** | **0** | **8** | **(7)** | **0** | **0** | **1** | **0** | **8** | **(6)** |
| Compensation and benefits | 1,495 | 1,335 | 1,459 | 26 | 20 | 26 | 1,521 | 1,355 | 1,485 |
| Total other operating expenses | 944 | 984 | 1,018 | 124 | 885 | 148 | 1,068 | 1,869 | 1,166 |
| **Total operating expenses** | **2,439** | **2,319** | **2,477** | **150** | **905** | **174** | **2,589** | **3,224** | **2,651** |
| **Income/(loss) before taxes** | **1,124** | **468** | **1,547** | **(297)** | **(1,032)** | **(247)** | **827** | **(564)** | **1,300** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 147,629 | 138,853 | 153,632 | 16,436 | 17,549 | 19,176 | 164,065 | 156,402 | 172,808 |
| Risk-weighted assets – Basel III (USD) | 167,124 | 156,041 | 162,239 | 18,607 | 19,721 | 20,250 | 185,731 | 175,762 | 182,489 |
| Total assets | 478,476 | 475,516 | 549,709 | 25,407 | 27,283 | 32,563 | 503,883 | 502,799 | 582,272 |
| Swiss leverage exposure | 655,456 | 644,800 | 799,182 | 70,051 | 77,700 | 92,581 | 725,507 | 722,500 | 891,763 |

# Strategic results

### OVERVIEW

In 1Q14, our strategic businesses reported income before taxes of CHF 1,124 million and net revenues of CHF 3,563 million.

Fixed income sales and trading revenues declined significantly from 1Q13, driven by substantially reduced client activity and challenging trading conditions in our global macro products and emerging markets businesses. Revenues increased significantly compared to 4Q13 due to a seasonal increase in client activity, resulting in higher revenues across most of our fixed income businesses.

Equities sales and trading revenues were solid, albeit lower than 1Q13, reflecting lower cash equities and systematic market making revenues, partially offset by higher derivatives revenues. Revenues increased compared to 4Q13, reflecting higher results in derivatives and prime services.

Underwriting and advisory results were higher compared to 1Q13, driven by market share gains. Revenues decreased compared to 4Q13, driven by lower equity underwriting and advisory results reflecting lower industry activity.

Results in 1Q14 were impacted by the weakening of the average rate of the US dollar against the Swiss franc, which negatively impacted revenues and favorably impacted expenses. Compared to 1Q13, revenues decreased 11% and total operating expenses decreased 2% in Swiss francs while revenues declined 8% and total operating expenses increased 3% in US dollars. Compared to 4Q13, revenues were up 27% and total operating expenses were up 5% in Swiss francs while revenues increased 29% and total operating expenses increased 6% in US dollars.

As of the end of 1Q14, we reported risk-weighted assets under Basel III of USD 167 billion, up USD 11 billion from 4Q13, reflecting increases of USD 6 billion from external methodology changes (externally prescribed regulatory changes) and USD 5 billion from internal methodology changes and model and parameter updates. Additionally, we reported Swiss leverage exposure in our strategic businesses of USD 742 billion, reflecting a modest increase from 4Q13 due to seasonal market activity in equities and increased commitments in credit.

## Strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | 1Q14 | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Debt underwriting | 468 | 483 | 461 | (3) | 2 |
| Equity underwriting | 183 | 274 | 157 | (33) | 17 |
| Total underwriting | 651 | 757 | 618 | (14) | 5 |
| Advisory and other fees | 180 | 194 | 145 | (7) | 24 |
| **Total underwriting and advisory** | **831** | **951** | **763** | (13) | 9 |
| Fixed income sales and trading | 1,609 | 808 | 2,028 | 99 | (21) |
| Equity sales and trading | 1,207 | 1,070 | 1,316 | 13 | (8) |
| **Total sales and trading** | **2,816** | **1,878** | **3,344** | 50 | (16) |
| Other | (84) | (34) | (90) | 147 | (7) |
| **Net revenues** | **3,563** | **2,795** | **4,017** | 27 | (11) |
| **Provision for credit losses** | **0** | **8** | **(7)** | (100) | 100 |
| Compensation and benefits | 1,495 | 1,335 | 1,459 | 12 | 2 |
| General and administrative expenses | 735 | 790 | 776 | (7) | (5) |
| Commission expenses | 209 | 194 | 242 | 8 | (14) |
| Total other operating expenses | 944 | 984 | 1,018 | (4) | (7) |
| **Total operating expenses** | **2,439** | **2,319** | **2,477** | 5 | (2) |
| **Income before taxes** | **1,124** | **468** | **1,547** | 140 | (27) |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 20.9 | 8.8 | 27.5 | – | – |
| Cost/income ratio | 68.5 | 83.0 | 61.7 | – | – |
| Pre-tax income margin | 31.5 | 16.7 | 38.5 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 147,629 | 138,853 | 153,632 | 6 | (4) |
| Risk-weighted assets – Basel III (USD) | 167,124 | 156,041 | 162,239 | 7 | 3 |
| Total assets | 478,476 | 475,516 | 549,709 | 1 | (13) |
| Swiss leverage exposure | 655,456 | 644,800 | 799,182 | 2 | (18) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

The following provides a comparison of our strategic 1Q14 results versus 1Q13 (YoY) and versus 4Q13 (QoQ).

### Net revenues

#### Debt underwriting

**YoY: Up 2% from CHF 461 million to CHF 468 million**

The increase was primarily due to strong results in leveraged finance as high yield market share gains more than offset lower global high yield industry-wide issuance volumes. Results reflected weak structured lending performance in emerging markets as origination activity was adversely impacted by widening credit spreads. We also had lower investment grade revenues.

**QoQ: Down 3% from CHF 483 million to CHF 468 million**

The increase was driven by higher revenues from leveraged finance reflecting market share gains and increased high yield industry volumes. The increase was partially offset by lower investment grade revenues and lower structured lending results in emerging markets.

#### Equity underwriting

**YoY: Up 17% from CHF 157 million to CHF 183 million**

The increase reflected significantly higher revenues from IPOs driven by substantially higher industry volumes and higher market share in Europe Middle East and Africa (EMEA) and Asia Pacific. We also had higher results from follow-on offerings reflecting market share gains in the Americas. Additionally, we had improved convertibles results driven by higher market share which more than offset lower industry-wide issuance activity.

**QoQ: Down 33% from CHF 274 million to CHF 183 million**

The declines in revenues primarily reflected strong performance in 4Q13. Revenues from initial public offerings (IPOs) were substantially lower, as stable market share was more than offset by significantly lower industry volumes. Additionally, we had significantly weaker results from follow-on offerings and lower convertibles revenues as higher market share was more than offset by substantially lower industry volumes for both products.

### Advisory and other fees

**YoY: Up 24% from CHF 145 million to CHF 180 million**
Revenues increased primarily due to higher M&A fees driven by strong performance in the Americas, as significantly higher completed M&A volumes and an increase in the Americas M&A fee pool more than offset decreased completed M&A market share in the region.
**QoQ: Down 7% from CHF 194 million to CHF 180 million**
The decrease was driven by seasonally lower M&A fees as market share gains were more than offset by lower global industry-wide completed M&A volumes.

### Fixed income sales and trading

**YoY: Down 21% from CHF 2,028 million to CHF 1,609 million**
Fixed income revenues declined significantly driven by reduced first quarter seasonal contribution from rates and certain emerging markets, resulting in difficult trading conditions during the quarter. Substantially weaker results in global macro products reflected lower revenues across rates, foreign exchange and commodities. Foreign exchange revenues declined, driven by challenging market conditions in emerging markets and following strong results in 1Q13 due to quantitative easing in Japan. Rates revenues were negatively impacted by a regulatory-driven shift in the market structure towards electronic trading and clearing and uncertainty regarding market direction leading to muted client activity. We also had significantly lower revenues from emerging markets compared to a strong 1Q13 result due to weaker trading performance in Latin America and EMEA while Asia remained strong. Corporate lending revenues also declined. The decreases were partially offset by strong results in securitized products driven by higher client activity in non-agency securities and mortgage servicing and market share gains in asset finance. We also had higher global credit products revenues reflecting our market-leading leveraged finance franchise.
**QoQ: Up 99% from CHF 808 million to CHF 1,609 million**
Revenues increased significantly as a seasonal increase in client activity resulted in higher results across most of our fixed income businesses. We had substantially higher revenues in global credit products, primarily driven by strong leveraged finance results and higher investment grade performance, both reflecting strong secondary trading activity. We also had significantly higher securitized products revenues driven by increased client trading activity in non-agency and agency securities. In addition, global macro products revenues improved significantly, primarily driven by higher rates results. Emerging markets revenues also increased, driven by higher origination activity reflecting more favorable market conditions, and improved trading revenues in Asia.

### Equity sales and trading

**YoY: Down 8% from CHF 1,316 million to CHF 1,207 million**
The decrease was primarily due to lower cash equities and systematic market making. The decrease in cash equities revenues reflected unfavorable trading conditions in Latin America partially offset by commission growth in the US and Europe. Systematic market making decreased due to less favorable trading conditions compared to 1Q13, which included the positive impact of quantitative easing in Japan. The revenue declines were partially offset by higher derivatives revenue reflecting increased client flows across products and regions. Prime services revenues also increased reflecting continued market leadership, growth in client balances and increased client activity in Europe.
**QoQ: Up 13% from CHF 1,070 million to CHF 1,207 million**
The increase was due to significantly stronger derivatives results driven by seasonally higher market volumes. We had higher results in prime services reflecting higher client balances and improved performance in convertibles. Cash equities revenues were down as strong client activity in most regions was more than offset by difficult trading conditions in Latin America.

## Operating expenses

### Compensation and benefits

**YoY: Up 2% from CHF 1,459 million to CHF 1,495 million**
Compensation and benefits expense increased slightly as lower salaries, reflecting lower headcount, were offset by higher deferred compensation expense from prior year awards and higher discretionary compensation expense.
**QoQ: Up 12% from CHF 1,335 million to CHF 1,495 million**
The increase was primarily due to higher deferred compensation expense from prior year awards and higher discretionary compensation expense.

### General and administrative expenses

**YoY: Down 5% from CHF 776 million to CHF 735 million**
The decrease was primarily driven by lower technology costs and lower litigation provisions.
**QoQ: Down 7% from CHF 790 million to CHF 735 million**
The increase was primarily driven by lower technology costs and other professional fees.

# Non-strategic results

## OVERVIEW

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

In 1Q14, we continued to make progress on the wind-down strategy in the non-strategic unit. We reported a loss before taxes of CHF 297 million and net revenue losses of CHF 147 million. We had higher net revenue losses, as 1Q13 results reflected a gain of CHF 77 million from a sale in our real estate portfolio. Performance also reflected improved funding costs from portfolio management of both our legacy debt instruments and trading assets. Total operating expenses decreased compared to 1Q13 and 4Q13, driven by substantially lower litigation provisions.

As of the end of 1Q14, we reported risk-weighted assets under Basel III of USD 19 billion, down USD 1 billion from 4Q13, with decreases of USD 3 billion from business reductions partially offset by increases of USD 2 billion from external methodology changes. This compares to our risk-weighted assets target of USD 6 billion by year-end 2015. Additionally, we reported Swiss leverage exposure of USD 79 billion, a reduction of USD 8 billion, or 9% from 4Q13. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

## Non-strategic results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(147)** | **(127)** | **(72)** | 16 | 104 |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) |
| Compensation and benefits | 26 | 20 | 26 | 30 | 0 |
| Total other operating expenses | 124 | 885 | 148 | (86) | (16) |
| of which litigation | 65 | 842 | 100 | (92) | (35) |
| **Total operating expenses** | **150** | **905** | **174** | (83) | (14) |
| **Income/(loss) before taxes** | **(297)** | **(1,032)** | **(247)** | (71) | 20 |
| **Revenue details (CHF million)** | | | | | |
| Fixed income wind-down | (55) | 60 | 6 | – | – |
| Legacy rates business | (26) | (1) | 28 | – | – |
| Legacy funding costs | (46) | (93) | (96) | (51) | (52) |
| Other | (20) | (93) | (10) | (78) | 100 |
| **Net revenues** | **(147)** | **(127)** | **(72)** | 16 | 104 |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 16,436 | 17,549 | 19,176 | (6) | (14) |
| Risk-weighted assets – Basel III (USD) | 18,607 | 19,721 | 20,250 | (6) | (8) |
| Total assets | 25,407 | 27,283 | 32,563 | (7) | (22) |
| Swiss leverage exposure | 70,051 | 77,700 | 92,581 | (10) | (24) |

The following provides a comparison of our non-strategic 1Q14 results versus 1Q13 (YoY) and versus 4Q13 (QoQ).

### Net revenues

**YoY: Down 104% from CHF (72) million to CHF (147) million**

Net revenue losses in our fixed income wind-down portfolio increased as 1Q13 results included a gain of CHF 77 million from a sale in our real estate finance legacy portfolio. We also incurred higher net revenue losses in our legacy rates business reflecting valuation gains in 1Q13. Increased net revenue losses were partially offset by significantly lower funding costs reflecting portfolio management of both our legacy debt instruments and trading assets. At the end of the quarter, risk-weighted assets under Basel III totaled USD 19 billion, down USD 1 billion from 1Q13.

**QoQ: Down 16% from CHF (127) million to CHF (147) million**

Results reflected increased net revenue losses as 4Q13 revenues included significant valuation gains. Increased net revenue losses were partially offset by significantly lower funding costs, reflecting portfolio management of both our legacy debt instruments and trading assets. At the end of the quarter, risk-weighted assets under Basel III totaled USD 19 billion, down USD 1 billion from 4Q13.

### Total operating expenses

**YoY: Down 14% from CHF 174 million to CHF 150 million**

The decrease was driven by lower litigation provisions.

**QoQ: Down 83% from CHF 905 million to CHF 150 million**

The decrease was driven by substantially lower litigation provisions as 4Q13 included mortgage-related matters of CHF 806 million.

# Corporate Center

In 1Q14, we recorded a loss before taxes of CHF 439 million, primarily reflecting fair value losses from movements in own credit spreads, business realignment costs and IT architecture simplification expenses. These negative impacts were partially offset by gains from the sale of real estate.

## RESULTS OVERVIEW

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

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at fair value, certain business realignment costs, IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit.

In **1Q14**, losses before taxes of CHF 439 million increased 17% compared to 1Q13, mainly reflecting IT architecture simplification expenses of CHF 61 million in 1Q14, higher fair value losses from movements in own credit spreads of CHF 120 million in 1Q14 compared to CHF 80 million in 1Q13, as well as higher reclassifications to discontinued operations of CHF 56 million in 1Q14 compared to CHF 17 million in 1Q13. Fair value losses of CHF 92 million on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. The higher losses in 1Q14 results were partly offset by a cumulative translation adjustment loss of CHF 80 million from the sale of JO Hambro in 1Q13, gains on sale of real estate of CHF 34 million in 1Q14 and lower realignment costs of CHF 62 million in 1Q14 compared to CHF 92 million in 1Q13.

### Corporate Center results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(187)** | **(177)** | **(205)** | 6 | (9) |
| **Provision for credit losses** | **1** | **1** | **0** | 0 | – |
| Compensation and benefits | 166 | 119 | 126 | 39 | 32 |
| General and administrative expenses | 97 | 109 | 25 | (11) | 288 |
| Commission expenses | (12) | (17) | 20 | (29) | – |
| Total other operating expenses | 85 | 92 | 45 | (8) | 89 |
| **Total operating expenses** | **251** | **211** | **171** | 19 | 47 |
| **Loss before taxes** | **(439)** | **(389)** | **(376)** | 13 | 17 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III [1] | 15,899 | 15,306 | 18,557 | 4 | (14) |
| Total assets | 87,728 | 87,244 | 75,339 | 1 | 16 |
| Swiss leverage exposure | 85,829 | 83,622 | 58,974 | 3 | 46 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and Non-strategic results

| | Strategic results | | | Non-strategic results | | | Corporate Center | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **(41)** | **(17)** | **(7)** | **(146)** | **(160)** | **(198)** | **(187)** | **(177)** | **(205)** |
| **Provision for credit losses** | **1** | **1** | **0** | **0** | **0** | **0** | **1** | **1** | **0** |
| Compensation and benefits | 77 | 22 | 36 | 89 | 97 | 90 | 166 | 119 | 126 |
| Total other operating expenses | 30 | 28 | 53 | 55 | 64 | (8) | 85 | 92 | 45 |
| **Total operating expenses** | **107** | **50** | **89** | **144** | **161** | **82** | **251** | **211** | **171** |
| **Income/(loss) before taxes** | **(149)** | **(68)** | **(96)** | **(290)** | **(321)** | **(280)** | **(439)** | **(389)** | **(376)** |

## Corporate Center – non-strategic results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(146)** | **(160)** | **(198)** | (9) | (26) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **144** | **161** | **82** | (11) | 76 |
| **Income/(loss) before taxes** | **(290)** | **(321)** | **(280)** | (10) | 4 |
| of which fair value impact from movements in own credit spreads | (120) | (202) | (80) | (41) | 50 |
| of which realignment costs [1] | (62) | (131) | (92) | (53) | (33) |
| of which IT architecture simplification expenses | (61) | (69) | – | (12) | – |
| of which real estate sales | 34 | 68 | – | (50) | – |
| of which legacy funding costs [2] | (6) | 6 | (21) | – | (71) |
| of which reclassifications to discontinued operations [3] | (56) | 5 | (17) | – | 229 |
| of which other non-strategic items | (19) | 2 | (70) | – | (73) |

1 Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
2 Represents legacy funding costs associated with non-Basel III compliant debt instruments.
3 Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and CFIG businesses and the announced sale of domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **1Q14** | 4Q13 | 1Q13 |
|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **(120)** | **(202)** | **(80)** |
| of which fair value gains/(losses) on own long-term vanilla debt | (92) | (180) | (37) |
| of which fair value gains/(losses) from DVA on structured notes | (4) | (69) | (41) |
| of which fair value gains/(losses) on stand-alone derivatives | (24) | 47 | (2) |

# Assets under management

We had net asset inflows from continuing operations of CHF 14.7 billion during 1Q14 and assets under management from continuing operations of CHF 1,281.1 billion as of the end of 1Q14.

### Assets under management

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

Assets under management from continuing operations of CHF 1,281.1 billion increased CHF 27.7 billion or 2.2% compared to the end of 4Q13, as positive market movements and net new assets were partially offset by structural effects, mostly arising from disposals of businesses in the non-strategic unit, and adverse foreign exchange-related movements. Compared to the end of 1Q13, assets under management from continuing operations were CHF 22.5 billion higher, reflecting positive market movements and net new assets of CHF 36.4 billion, partially offset primarily by adverse foreign exchange-related movements.

▸ Refer to “Private Banking & Wealth Management” in I – Credit Suisse results and “Note 37 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Assets under management and client assets

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Wealth Management Clients | 804.9 | 790.7 | 794.4 | 1.8 | 1.3 |
| Corporate & Institutional Clients | 254.4 | 250.0 | 238.7 | 1.8 | 6.6 |
| Asset Management [1] | 363.4 | 352.3 | 347.0 | 3.2 | 4.7 |
| Non-strategic | 25.9 | 44.4 | 85.4 | (41.7) | (69.7) |
| Assets managed across businesses [2] | (156.1) | (155.0) | (153.9) | 0.7 | 1.4 |
| **Assets under management** | **1,292.5** | **1,282.4** | **1,311.6** | **0.8** | **(1.5)** |
| of which continuing operations | 1,281.1 | 1,253.4 | 1,258.6 | 2.2 | 1.8 |
| of which discontinued operations | 11.4 | 29.0 | 53.0 | (60.7) | (78.5) |
| **Assets under management from continuing operations** | **1,281.1** | **1,253.4** | **1,258.6** | **2.2** | **1.8** |
| of which discretionary assets | 410.7 | 397.6 | 388.1 | 3.3 | 5.8 |
| of which advisory assets | 870.4 | 855.8 | 870.5 | 1.7 | 0.0 |
| **Client assets (CHF billion)** | | | | | |
| Wealth Management Clients | 917.8 | 904.5 | 913.5 | 1.5 | 0.5 |
| Corporate & Institutional Clients | 362.8 | 353.3 | 341.2 | 2.7 | 6.3 |
| Asset Management [1] | 363.4 | 352.3 | 347.0 | 3.2 | 4.7 |
| Non-strategic | 32.4 | 51.8 | 88.8 | (37.5) | (63.5) |
| Assets managed across businesses [2] | (156.1) | (155.0) | (153.9) | 0.7 | 1.4 |
| **Client Assets** | **1,520.3** | **1,506.9** | **1,536.6** | **0.9** | **(1.1)** |
| of which continuing operations | 1,508.5 | 1,477.5 | 1,483.2 | 2.1 | 1.7 |
| of which discontinued operations | 11.8 | 29.4 | 53.4 | (59.9) | (77.9) |

[1] Excludes our portion of assets under management from our former investment in Aberdeen.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

### Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

### Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets from continuing operations of CHF 14.7 billion in 1Q14.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 10.6 billion in 1Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, and Switzerland, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.4 billion in 1Q14. Asset Management reported net new assets of CHF 6.9 billion in 1Q14, driven by inflows in credit products and traditional products, with substantial contribution from index strategies, and partially offset by net asset outflows in fixed income products. In our non-strategic portfolio, net asset outflows of CHF 2.3 billion reflected our exit of certain businesses, of which CHF 1.0 billion were classified as discontinued operations.

## Growth in assets under management

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | |
| **Net new assets from continuing operations** | **14.7** | **4.2** | **14.4** |
| Net new assets from discontinued operations | (1.0) | 0.2 | (2.4) |
| **Net new assets** | **13.7** | **4.4** | **12.0** |
| of which Wealth Management Clients | 10.6 | 1.7 | 5.7 |
| of which Corporate & Institutional Clients | 0.4 | 4.0 | 4.5 |
| of which Asset Management [1] | 6.9 | (0.5) | 8.5 |
| of which non-strategic | (2.3) | (1.0) | (2.3) |
| of which assets managed across businesses [2] | (1.9) | 0.2 | (4.4) |
| **Other effects from continuing operations** | **13.0** | **9.9** | **46.4** |
| Other effects from discontinued operations | (16.6) | (0.1) | 2.4 |
| **Other effects** | **(3.6)** | **9.8** | **48.8** |
| of which Wealth Management Clients | 3.6 | 6.1 | 30.7 |
| of which Corporate & Institutional Clients | 4.0 | 4.9 | 10.4 |
| of which Asset Management | 4.2 | 3.8 | 13.2 |
| of which non-strategic | (16.2) | (3.3) | 3.0 |
| of which assets managed across businesses [2] | 0.8 | (1.7) | (8.5) |
| **Growth in assets under management from continuing operations** | **27.7** | **14.1** | **60.8** |
| Growth in assets under management from discontinued operations | (17.6) | 0.1 | 0.0 |
| **Growth in assets under management** | **10.1** | **14.2** | **60.8** |
| of which Wealth Management Clients | 14.2 | 7.8 | 36.4 |
| of which Corporate & Institutional Clients | 4.4 | 8.9 | 14.9 |
| of which Asset Management [1] | 11.1 | 3.3 | 21.7 |
| of which non-strategic | (18.5) | (4.3) | 0.7 |
| of which assets managed across businesses [2] | (1.1) | (1.5) | (12.9) |

## Growth in assets under management (continued)

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Growth in assets under management (annualized) (%)** | | | |
| **Net new assets from continuing operations** | **4.7** | **1.4** | **4.8** |
| Net new assets from discontinued operations | (13.8) | 2.8 | (18.1) |
| **Net new assets** | **4.3** | **1.4** | **3.8** |
| of which Wealth Management Clients | 5.4 | 0.9 | 3.0 |
| of which Corporate & Institutional Clients | 0.6 | 6.6 | 8.0 |
| of which Asset Management [1] | 7.8 | (0.6) | 10.5 |
| of which non-strategic | (20.7) | (8.2) | (10.9) |
| of which assets managed across businesses [2] | 4.9 | (0.5) | 12.5 |
| **Other effects from continuing operations** | **4.1** | **3.2** | **15.5** |
| Other effects from discontinued operations | (229.0) | (1.4) | 18.1 |
| **Other effects** | **(1.1)** | **3.1** | **15.6** |
| of which Wealth Management Clients | 1.8 | 3.1 | 16.2 |
| of which Corporate & Institutional Clients | 6.4 | 8.2 | 18.6 |
| of which Asset Management | 4.8 | 4.4 | 16.2 |
| of which non-strategic | (146.0) | (27.1) | 14.2 |
| of which assets managed across businesses [2] | (2.1) | 4.4 | 24.1 |
| **Growth in assets under management continuing operations** | **8.8** | **4.6** | **20.3** |
| Growth in assets under management from discontinued operations | (242.8) | 1.4 | 0.0 |
| **Growth in assets under management** | **3.2** | **4.5** | **19.4** |
| of which Wealth Management Clients | 7.2 | 4.0 | 19.2 |
| of which Corporate & Institutional Clients | 7.0 | 14.8 | 26.6 |
| of which Asset Management [1] | 12.6 | 3.8 | 26.7 |
| of which non-strategic | (166.7) | (35.3) | 3.3 |
| of which assets managed across businesses [2] | 2.8 | 3.9 | 36.6 |
| **Growth in net new assets (rolling four-quarter average) (%)** | | | |
| **Net new assets from continuing operations** | **2.9** | **3.0** | **2.7** |
| Net new assets from discontinued operations | (4.9) | (7.5) | (5.9) |
| **Net new assets** | **2.6** | **2.5** | **2.4** |
| of which Wealth Management Clients | 3.0 | 2.5 | 2.8 |
| of which Corporate & Institutional Clients | 2.0 | 3.9 | 1.7 |
| of which Asset Management [1] | 3.9 | 4.6 | 3.6 |
| of which non-strategic | 1.4 | 3.3 | 2.3 |
| of which Assets managed across businesses [2] | 0.0 | 0.0 | 0.0 |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Wealth Management Clients | 10.6 | 1.7 | 5.7 |
| Corporate & Institutional Clients | 0.4 | 4.0 | 4.5 |
| Asset Management | 6.9 | (0.5) | 8.5 |
| Non-strategic | (2.3) | (1.0) | (2.3) |
| Assets managed across businesses [1] | (1.9) | 0.2 | (4.4) |
| **Net new assets** | **13.7** | **4.4** | **12.0** |
| of which continuing operations | 14.7 | 4.2 | 14.4 |
| of which discontinued operations | (1.0) | 0.2 | (2.4) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

# II

# Treasury, risk, balance sheet and off-balance sheet

# Liquidity and funding management

During 1Q14, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

### Overview

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 for further information on liquidity and funding management.

### Liquidity risk management framework

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, well in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum target.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR).

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

Although the NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the BCBS and FINMA, we began using the NSFR in 2012 as the primary tool to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. We estimate that our NSFR under the current FINMA framework was in excess of 100% as of the end of 1Q14. Our estimate is based on the definitions and methodologies outlined in the aforementioned BCBS Basel III international framework for liquidity risk measurement, standards and monitoring issued in December 2010, the previously noted Liquidity Ordinance implementing the Basel III liquidity requirements into Swiss law, and other guidance and requirements of FINMA. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions which may not be consistent with those of other financial institutions. The NSFR is based on regulatory metrics, the disclosure of which is not yet required, and, as such, it represents a non-GAAP financial measure.

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The BCBS also proposed revisions to the NSFR, which are expected to become the minimum standard by the previously announced date of January 1, 2018.

In November 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making. The Liquidity Ordinance entered into force on January 1, 2013. It requires appropriate management and monitoring of liquidity risks, and applies to all banks, but is tiered according to the type, complexity and degree of risk of a bank's activities. It also contains supplementary quantitative and qualitative requirements for systemically relevant banks, including us, which are generally consistent with existing FINMA liquidity requirements. In January 2014, the Swiss Federal Council and FINMA proposed revisions to the Liquidity Ordinance to reflect the final Basel III LCR rules. Under the proposal, systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning in 2015.

Our revised liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

## Liquidity pool

| March 31, 2013 | Swiss franc | US dollar | Euro | Other currencies | Total |
|---|---|---|---|---|---|
| **Liquidity pool by currencies (CHF billion)** | | | | | |
| Cash held at central banks | 27.6 | 22.0 | 1.6 | 0.7 | 51.9 |
| Government bonds | 2.8 | 32.3 | 9.0 | 14.9 | 59.0 [1] |
| Fixed income securities | 1.1 | 9.6 | 1.5 | 5.1 | 17.3 |
| Liquid equity securities | - | 9.7 | - | 8.8 | 18.5 |
| **Total liquidy pool (based on internal model)** | **31.5** | **73.6** | **12.1** | **29.5** | **146.7** |

[1] Includes reverse repurchases of government bonds of CHF 18.6 billion.

### Funding sources and uses

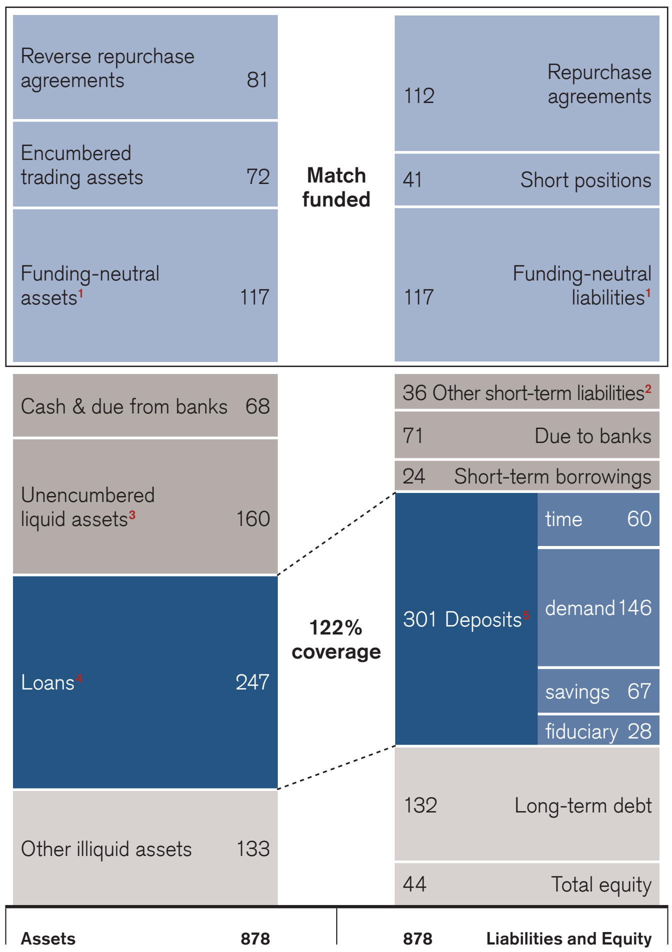
We fund our balance sheet primarily through core customer deposits, long-term debt and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

These assets include our liquidity pool, which as of the end of 1Q14 based on our internal model was CHF 147 billion, net of a stress test level haircut. The liquidity pool consisted of CHF 52 billion of cash held at major central banks, primarily the SNB, Fed, and the ECB, CHF 59 billion of securities issued by governments and government agencies, primarily of the US, France and Britain and CHF 36 billion of other highly liquid assets including equity securities that form part of major indices. As of March 31, 2014, our internal model included the application of a stress test level average haircut equal to approximately 55% of the market value of non-cash positions in the liquidity pool. The haircut reflects our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

### Balance sheet funding structure

as of March 31, 2014 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 22% as of the end of 1Q14 and 4Q13, reflecting a slight increase in loans and a slight increase in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as a haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 301 billion as of the end of 1Q14 compared to CHF 297 billion as of the end of 4Q13, reflecting a stable customer deposit base in Private Banking & Wealth Management. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet and off-balance sheet" for further information.

### Debt issuances and redemptions

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

The table below provides information on long-term debt issuances, maturities and redemptions in 1Q14, excluding structured notes.

## Debt issuances and redemptions

| in 1Q14 | Senior | Sub-ordinated | Long-term debt |
|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | |
| **Issuances** | **5.2** | **–** | **5.2** |
| of which unsecured | 1.6 | – | 1.6 |
| of which secured [1] | 3.6 | – | 3.6 |
| **Maturities / Redemptions** | **5.1** | **1.3** | **6.4** |
| of which unsecured | 4.1 | 1.3 | 5.4 |
| of which secured [1] | 1.0 | – | 1.0 |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 1Q14, we had outstanding long-term debt of CHF 132 billion, which included senior and subordinated instruments. We had CHF 38.4 billion and CHF 16.9 billion of structured notes and covered bonds outstanding, respectively, as of the end of 1Q14 compared to CHF 34.8 billion and CHF 14.3 billion, respectively, as of 4Q13.

▸ Refer to "Capital issuances and redemptions" in Capital management for information on issuances of capital notes, all of which constitute subordinated debt instruments.

As of the end of 1Q14, the weighted average maturity of long-term debt was 6.5 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

Short-term borrowings increased 20% to CHF 24.2 billion as of the end of 1Q14 compared to CHF 20.2 billion in 4Q13.

### Credit ratings

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.1 billion, CHF 3.0 billion and CHF 4.3 billion, respectively, as of the end of 1Q14, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

As of the end of 1Q14, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

▸ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management in the Credit Suisse Annual Report 2013 for further information.

# Capital management

As of the end of 1Q14, our CET1 ratio was 14.3% under Basel III and 10.0% on a look-through basis. Our RWA under Basel III were CHF 286.0 billion and our Swiss leverage ratio was 4.8%.

## REGULATORY CAPITAL FRAMEWORK

### Overview

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

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

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2013 for further information.

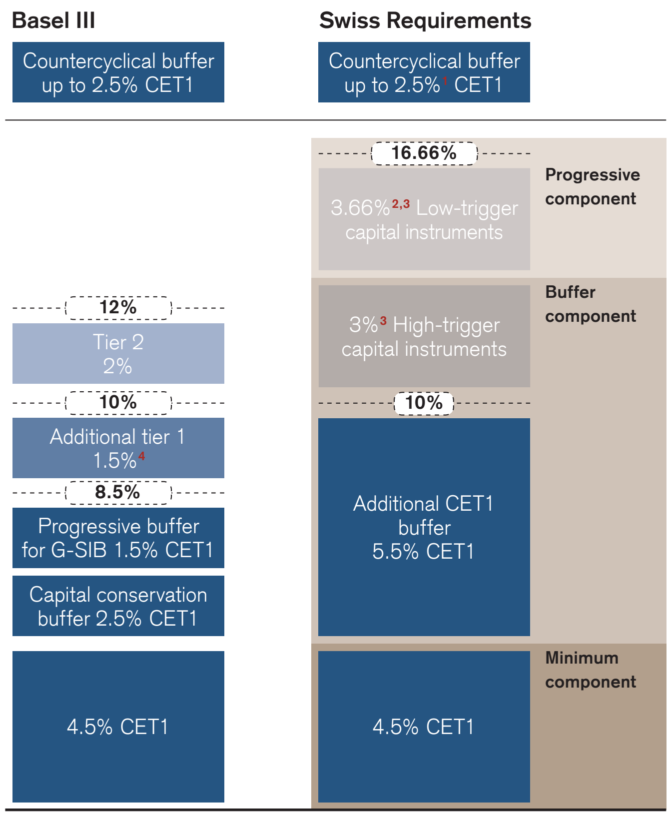
### Capital structure under Basel III

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

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

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

### Capital frameworks for Credit Suisse




1 As of September 30, 2013, banks are required to hold CET1 capital in the amount of 1% of RWA pertaining to mortgage loans that finance residential property in Switzerland.
2 The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.
3 Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.
4 Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

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

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

### Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | |
| CET1 | 4.0% [1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **4.0%** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Total tier 1** | **5.5%** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 2.5% [1] | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | 20.0% [1] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase-out | Phased out over a 10-year horizon beginning 2013 through 2022 | | | | | |

[1] Indicates phase-in period.
[2] Includes goodwill, other intangible assets, certain deferred tax assets and participations in financial institutions.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through January 1, 2019.

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

#### Swiss Requirements

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

‣ Refer to "Swiss Requirements" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

‣ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

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

The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. For 2014, FINMA set our progressive component requirement at 3.66%. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

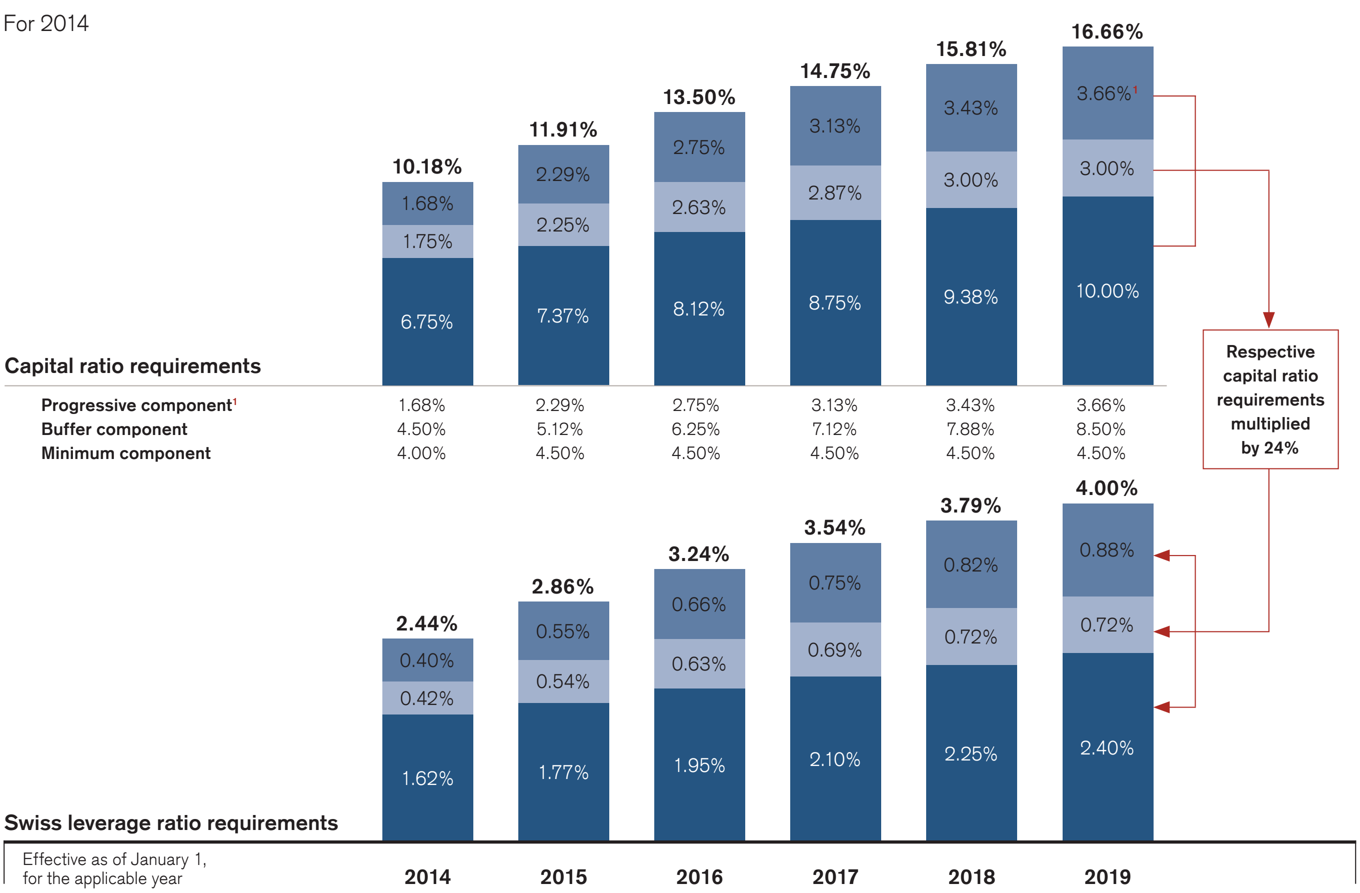
Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. Effective January 1, 2013, FINMA introduced increased capital charges for mortgages that finance certain residential property in Switzerland. In February 2013, the countercyclical capital buffer was activated and it requires banks to hold CET1 capital in the amount of 1% of their RWA pertaining to such mortgages (mortgage multiplier). These increased capital charges, which are applied for both Bank for International Settlements (BIS) and FINMA purposes, will be phased in by January 1, 2019. As of the end of 1Q14, our countercyclical buffer was CHF 151 million, which is equivalent to an additional requirement of 0.05% of CET1 capital. In January 2014, upon the request of SNB, the Swiss Federal Council further increased the countercyclical buffer from 1% to 2%, effective June 30, 2014.

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

Beginning in 1Q14, we adjusted the presentation of our Swiss capital metrics and terminology and we now refer to Swiss Core Capital as Swiss CET1 capital and Swiss Total Capital as Swiss total eligible capital. Swiss Total Capital previously reflected the tier 1 participation securities, which were fully redeemed in 1Q14. Swiss CET1 capital consists of BIS CET1 capital and certain other Swiss adjustments. Swiss total eligible capital consists of Swiss CET1 capital, high-trigger capital instruments, low-trigger capital instruments and additional tier 1 instruments and tier 2 instruments subject to phase-out and phase-in deductions from CET1.

We must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse




■ Swiss CET1 capital ■ High-trigger capital instruments ■ Low-trigger capital instruments

Excludes countercyclical buffer required as of September 30, 2013.

[1] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

### Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed Value-at-Risk (VaR), risks not in VaR, comprehensive risk measure framework and advanced credit valuation adjustment (CVA).

FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 1Q14, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to “Risk measurement models” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information.

▸ Refer to “Market risk” in Risk management for further information on Credit Suisse’s risk measurement models and backtesting exceptions.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In January 2014, the BCBS published the framework and disclosure requirements for the Basel III leverage ratio. The required Basel III leverage ratio, which seeks to measure tier 1 capital against exposure, is expected to be at least 3%. Although the effective date of the Basel III leverage ratio is not until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators.

In accordance with BCBS’s G-SIB loss absorbency requirements and FINMA’s capital adequacy disclosure requirements, banks with a balance sheet exceeding EUR 200 billion must publish annually 12 financial indicators, such as size and complexity. Depending on these financial indicators, the FSB will set the progressive buffer for G-SIBs. The reporting requirement became effective December 31, 2013 and disclosures must be made by April 30, 2014.

In March 2014, the BCBS published a final standard on the treatment of counterparty credit risk associated with derivative transactions. The new requirement will replace the current exposure method and the existing standardized method and will become effective on January 1, 2017.

From January 1, 2014, the Capital Requirement Directive (CRD) IV package of legislation (comprising a directive and a regulation) will replace the current CRD directive with new measures implementing Basel III and other requirements. As part of the transition to CRD IV, the UK’s Prudential Regulation Authority has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved and certain models will require updates in line with latest BCBS guidance and regulatory feedback on modeling techniques.

In July 2013, the Fed, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency released final capital rules that overhaul the existing US bank regulatory capital rules and implement the Basel III framework and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The final rules are largely consistent with the Basel III framework published by the BCBS, although they diverge in several important respects due to requirements of the Dodd-Frank Act and do not address other, more recent aspects of the Basel III framework. In February 2014, the Fed adopted a rule under the Dodd-Frank Act that creates a new framework for regulation of the US operations of foreign banking organizations. The rule requires Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries; this will not apply to Credit Suisse AG’s New York branch (New York Branch). The IHC will be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) will be subject to other new prudential requirements. The new framework’s prudential requirements generally become effective in July 2016.

### FINMA Decree

The SNB has previously designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, in December 2013 the FINMA Decree was issued. In addition to the capital adequacy requirements described above, it also specified liquidity, risk diversification and disclosure requirements for the Bank parent company.

The FINMA Decree became effective on February 2, 2014 and requires the Group to fully comply with the special requirements for systemically important banks set out in the Capital Adequacy Ordinance. To facilitate the application of these requirements within the Group and to allow Credit Suisse to continue its central treasury policy, the FINMA Decree also references forms of relief granted by FINMA within its stated authority that is designed to prevent the application of requirements at the Bank parent company level from effectively increasing the regulatory capital requirements applicable to the Group, notwithstanding all reasonable efforts by the Group to avoid such a situation. FINMA also requires certain capital disclosures at the Bank parent company level as of the end of March 31, 2014, which can be found on our website. In addition, the FINMA Decree requires the disclosure of the following forms of relief:

- **New approach to standalone capital requirements**: Withdrawal of the previously granted form of relief for funding that the Bank parent company provides to Group subsidiaries. The new approach results in an increase in RWA at the Bank parent company level.
- **Reduction of regulatory capital requirement:** Risk-weighted capital requirement reduced to 14% from a current 16.66%, of which at least 10% must be held in the form of CET1 capital. This measure is a form of relief at the Bank parent company level in comparison with the minimum requirements set out by FINMA at the Group level.
- **Equal treatment of direct and indirect investments**: Direct and indirect investments in Group subsidiaries that are

active in the financial sector and are held by the Bank parent company are treated equally. Directly and indirectly held investments in Group subsidiaries up to a bank-specific threshold set by FINMA are risk-weighted at 200%. Amounts above the threshold are deducted 50% from CET1 capital and 50% from total eligible capital. The deduction approach is similar to the treatment of capital instruments under Basel III and continues the previously applicable treatment under Swiss regulations. This measure may have the effect of changing RWA and/or total eligible capital. Depending on the calibration of the threshold, investments in Group subsidiaries require total eligible capital in a range between 28% (if all investments are risk-weighted) and 100% (if all investments are deducted from total eligible capital).

Overall, withdrawal of previous forms of relief, the introduction of stricter requirements and the provision of new forms of relief avoids a situation in which requirements at the Bank parent company would effectively dictate requirements at the Group level and, as such, effectively lead to higher capital ratios at the Bank parent company level.

## CAPITAL ISSUANCES AND REDEMPTIONS

In March 2014, pursuant to a tender offer, we repurchased USD 1.4 billion of outstanding 7.875% perpetual series B subordinated tier 1 participation securities. We subsequently exercised a regulatory call of the USD 99 million of such securities that had not been tendered, with the result that no such securities remain outstanding. Prior to the announcement of the tender offer and as advised by FINMA, these tier 1 participation securities formed part of Swiss CET1 capital under the Swiss Requirements, whereas under Basel III, these instruments were included in additional tier 1 instruments subject to phase-out. These transactions were approved by FINMA.

In January 2014, Contingent Capital Awards (CCA) were granted to certain employees as part of their 2013 deferred variable compensation. In March 2014, employees holding 2011 Partner Asset Facility (PAF2) awards, which were restructured, reallocated a portion of their PAF2 holdings to CCA. Both of these events added CHF 0.5 billion to regulatory capital in 1Q14. CCA qualify as additional tier 1 and high-trigger capital instruments for regulatory capital purposes.

▸ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Annual Report 2013 for further information on CCA.

### Higher Trigger Capital Amount

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion or write down is referred to as the Higher Trigger Capital Amount.

With respect to the USD 2.5 billion 6.5% tier 2 capital notes due in August 2023 and the EUR 1.25 billion 5.75% tier 2 capital notes due in September 2025, the Higher Trigger Capital Amount was CHF 10.5 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.8%, both as of the end of 1Q14. With respect to the USD 2.25 billion 7.5% tier 1 capital notes and the CHF 290 million 6.0% tier 1 capital notes, the Higher Trigger Capital Amount was CHF 8.2 billion and the Higher Trigger Capital Ratio was 2.9%, both as of the end of 1Q14. CCA are expected to increase both of these Higher Trigger Capital Amounts over time.

▸ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management in the Credit Suisse Annual Report 2013 for further information on Higher Trigger Capital Amount.

▸ Refer to the table "BIS statistics – Basel III – Group" for further information on the BIS statistics used to calculate such measures.

## BIS CAPITAL METRICS

### Regulatory capital and ratios

Our CET1 ratio was 14.3% as of the end of 1Q14, compared to 15.7% as of the end of 4Q13, due to an increase in RWA and a decrease in CET1 capital. Our tier 1 ratio was 15.6% as of the end of 1Q14, compared to 16.8% as of the end of 4Q13. Our total capital ratio decreased to 19.1% as of the end of 1Q14 compared to 20.6% as of the end of 4Q13.

CET1 capital was CHF 40.9 billion as of the end of 1Q14 compared to CHF 43.0 billion as of the end of 4Q13, mainly reflecting the 20% phase-in of regulatory deductions from CET1 including goodwill, other intangible assets, certain deferred tax assets and a 20% decrease in the adjustment for the accounting treatment of pension plans, pursuant to phase-in requirements. CET1 capital was also impacted by a quarterly dividend accrual and a negative foreign exchange translation impact, partially offset by net income and the impact of share-based compensation.

Additional tier 1 capital increased to CHF 3.7 billion, mainly due to the issuance of CHF 0.5 billion CCA and the 20% decrease in phase-in deductions, including goodwill, other intangible assets and other capital deductions, partially offset by the redemption of the tier 1 participation securities in March 2014. Tier 2 capital decreased slightly to CHF 10.0 billion as of the end of 1Q14.

Total eligible capital was CHF 54.6 billion as of the end of 1Q14 compared to CHF 56.3 billion as of the end of 4Q13, reflecting the decrease in CET1 capital, partially offset by the increase in additional tier 1 capital.

We reported a look-through CET1 ratio of 10.0% as of the end of 1Q14, compared to an updated long-term target of 11.0%. As of the end of 1Q14, the look-through total capital ratio was 15.1%, unchanged from the end of 4Q13.

## BIS statistics – Basel III – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | 1Q14 | 4Q13 | % change QoQ | 1Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | |
| Total shareholders' equity | 43,230 | 42,164 | 3 | 43,230 | 42,164 | 3 |
| Regulatory adjustments [1] | (1,213) | (1,069) | 13 | (1,213) | (1,069) | 13 |
| Adjustments subject to phase-in | (1,114) [2] | 1,894 [3] | – | (14,159) | (14,615) | (3) |
| **CET1 capital** | **40,903** | **42,989** | (5) | **27,858** | **26,480** | 5 |
| Additional tier 1 instruments | 8,000 [4] | 7,484 | 7 | 8,000 | 7,484 | 7 |
| Additional tier 1 instruments subject to phase-out [5] | 2,088 | 3,652 | (43) | – | – | – |
| Deductions from additional tier 1 capital | (6,414) [6] | (8,064) | (20) | – | – | – |
| **Additional tier 1 capital** | **3,674** | **3,072** | 20 | **8,000** | **7,484** | 7 |
| **Total tier 1 capital** | **44,577** | **46,061** | (3) | **35,858** | **33,964** | 6 |
| Tier 2 instruments | 6,340 [7] | 6,263 | 1 | 6,340 | 6,263 | 1 |
| Tier 2 instruments subject to phase-out | 3,924 | 4,321 | (9) | – | – | – |
| Deductions from tier 2 capital | (263) | (357) | (26) | (2) | (18) | (89) |
| **Tier 2 capital** | **10,001** | **10,227** | (2) | **6,338** | **6,245** | 1 |
| **Total eligible capital** | **54,578** | **56,288** | (3) | **42,196** | **40,209** | 5 |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Credit risk | 187,609 | 175,631 | 7 | 181,307 | 167,888 | 8 |
| Market risk | 34,143 | 39,133 | (13) | 34,143 | 39,133 | (13) |
| Operational risk | 58,400 | 53,075 | 10 | 58,400 | 53,075 | 10 |
| Non-counterparty risk | 5,844 | 6,007 | (3) | 5,844 | 6,007 | (3) |
| **Risk-weighted assets** | **285,996** | **273,846** | 4 | **279,694** | **266,103** | 5 |
| **Capital ratios (%)** | | | | | | |
| CET1 ratio | 14.3 | 15.7 | – | 10.0 | 10.0 | – |
| Tier 1 ratio | 15.6 | 16.8 | – | 12.8 | 12.8 | – |
| Total capital ratio | 19.1 | 20.6 | – | 15.1 | 15.1 | – |

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 2.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 80% of goodwill and other intangible assets (CHF 6.5 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
7 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.8 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

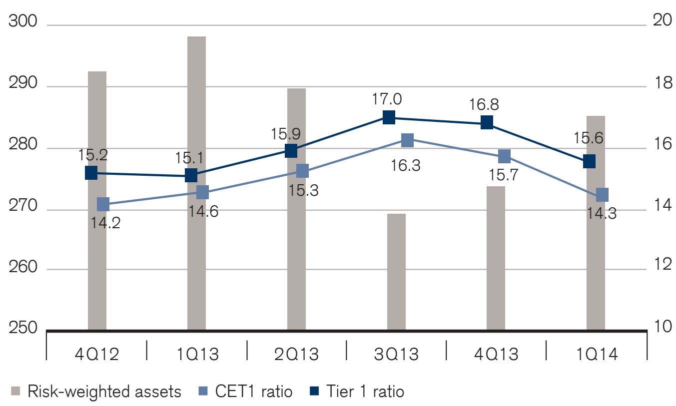
## BIS statistics – Basel III – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | 1Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | |
| Total shareholders' equity | 41,062 | 39,992 | 3 |
| Regulatory adjustments [1] | (2,493) | (3,504) | (29) |
| Adjustments subject to phase-in | (1,440) [2] | 1,540 [3] | – |
| **CET1 capital** | **37,129** | **38,028** | (2) |
| Additional tier 1 instruments | 7,135 [4] | 6,644 | 7 |
| Additional tier 1 instruments subject to phase-out [5] | 2,088 | 3,652 | (43) |
| Deductions from additional tier 1 capital | (5,679) [6] | (7,219) | (21) |
| **Additional tier 1 capital** | **3,544** | **3,077** | 15 |
| **Total tier 1 capital** | **40,673** | **41,105** | (1) |
| Tier 2 instruments | 6,340 [7] | 6,263 | 1 |
| Tier 2 instruments subject to phase-out | 3,344 | 5,016 | (33) |
| Deductions from tier 2 capital | (244) | (318) | (23) |
| **Tier 2 capital** | **9,440** | **10,961** | (14) |
| **Total eligible capital** | **50,113** | **52,066** | (4) |
| **Risk-weighted assets (CHF million)** | | | |
| Credit risk | 178,779 | 166,324 | 7 |
| Market risk | 34,115 | 39,111 | (13) |
| Operational risk | 58,400 | 53,075 | 10 |
| Non-counterparty risk | 5,598 | 5,758 | (3) |
| **Risk-weighted assets** | **276,892** | **264,268** | 5 |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.4 | 14.4 | – |
| Tier 1 ratio | 14.7 | 15.6 | – |
| Total capital ratio | 18.1 | 19.7 | – |

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Reflects 20% phase-in deductions including goodwill, other intangible assets, certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
3 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
4 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 1.4 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 80% of goodwill and other intangible assets (CHF 5.8 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
7 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.8 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## Risk-weighted assets and capital ratios – Basel III

**Risk-weighted assets** (in CHF billion) **Capital ratios** (in %)




## CET1 capital movement – Basel III

| | **1Q14** | 4Q13 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **42,989** | **43,780** |
| Net income | 859 | (476) |
| Foreign exchange impact | (233) | (516) |
| Impact of phase-in requirements | (3,015) | – |
| Other | 303 [1] | 201 [1] |
| **Balance at end of period** | **40,903** | **42,989** |

[1] Reflects the effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

### Other regulatory disclosures

In connection with the implementation of Basel III, additional regulatory disclosures are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, subsidiary regulatory reporting, reconciliation requirements, Pillar 3 disclosures and additional capital disclosures for the Bank parent company can be found on our website.

‣ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

### Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment. It is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA.

## Risk-weighted assets by division – Basel III

| | | end of | % change |
|---|---|---|---|
| | **1Q14** | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | |
| Private Banking & Wealth Management | 99,730 | 94,395 | 6 |
| Investment Banking | 164,065 | 156,402 | 5 |
| Corporate Center | 22,201 | 23,049 | (4) |
| **Risk-weighted assets** | **285,996** | **273,846** | **4** |

## Risk-weighted asset movement by risk type – Basel III

| 1Q14 | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **Risk-weighted asset movement by risk type (CHF million)** | | | | | | |
| **Balance at beginning of period** | **164,924** | **10,707** | **39,133** | **53,075** | **6,007** | **273,846** |
| Foreign exchange impact | (983) | (79) | (400) | 0 | 0 | (1,462) |
| Movements in risk levels | (31) | 1,732 | (6,311) | 0 | (163) | (4,773) |
| of which credit risk – book size [1] | 259 | 2,616 | – | – | – | – |
| of which credit risk – book quality [2] | (290) | (884) | – | – | – | – |
| Model and parameter updates [3] | 252 | (214) | (575) | 0 | 0 | (537) |
| Methodology and policy – internal [4] | 2,306 | 4,396 | (1,286) | 0 | 0 | 5,416 |
| Methodology and policy – external [5] | 4,599 | 0 | 3,582 | 5,325 | 0 | 13,506 |
| **Balance at end of period** | **171,067** | **16,542** | **34,143** | **58,400** | **5,844** | **285,996** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents internal changes impacting how exposures are treated.
[5] Represents externally prescribed regulatory changes impacting how exposures are treated.

RWA increased 4%, from CHF 273.8 billion as of the end of 4Q13 to CHF 286.0 billion as of the end of 1Q14, reflecting an increase in credit risk and operational risk, partially offset by a decrease in market risk and a decrease resulting from foreign exchange translation.

The increase in **credit risk (excluding CVA)** was primarily driven by methodology changes that affected both Investment Banking and Private Banking & Wealth Management. Within Investment Banking, externally driven methodology changes resulted from an increase in the risk weighting of private equity positions, while internally driven changes primarily resulted from the recalibration of derivative add-ons and the loss of netting for central clearing counterparty default funds. Externally driven methodology changes within Private Banking & Wealth Management resulted from an increase to the risk weighting of private equity positions, particularly within Asset Management, and an increase resulting from the mortgage multiplier relating to the financing of certain residential property in Switzerland. Overall, the movements in risk levels resulted in a marginal decrease in RWA. Investment Banking movements in risk levels were due to increases in lending and secured financing offset by decreases in securitization portfolio exposures. Private Banking & Wealth Management movements in risk levels were due to decreases in Asset Management fund positions offset by increases in Wealth Management Clients and Corporate & Institutional Clients lending.

**Credit risk related to CVA risk** increased during the period driven by internally driven methodology changes and increases related to movements in risk levels within Investment Banking. Internally driven methodology changes were due to changes in the hedging of CVA risk and the modeling of derivative exposures. The increases related to movements in risk levels were due to increases in exposures and hedged positions.

The decrease in **market risk** was primarily driven by decreases related to movements in risk levels partially offset by increases due to externally driven methodology changes mainly resulting from the regulatory requirement to hold capital against short trading book securitization positions starting on January 1, 2014. The movements in risk levels were driven by a decrease in trading book securitization exposures following increased protection on low-rated tranched portfolios, including protection provided by the Capital Opportunity Facility (COF), a component of our employee deferred compensation plan. Additionally, stressed VaR was lower driven by decreases in exposures across foreign exchange products, equities and emerging markets. The decrease resulting from changes in model and parameters was primarily due to an update in the stressed spread parameters.

The increase in **operational risk** resulted from the implementation of a revised advanced management approach (AMA) model, a FINMA imposed cap applied to benefits derived from insurance protection and an update to the litigation add-on component following an increase in the aggregate range of reasonably possible litigation losses not covered by existing provisions.

## SWISS CAPITAL METRICS

### Swiss regulatory capital and ratios

▸ Refer to "Swiss Requirements" for further information on Swiss regulatory requirements.

As of the end of 1Q14, our Swiss CET1 capital and Swiss total capital ratios were 14.2% and 19.0%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, our Swiss CET1 capital was CHF 27.7 billion and our Swiss CET1 ratio was 9.9% as of the end of 1Q14. Our Swiss total eligible capital was CHF 42.0 billion and our Swiss total capital ratio was 15.0% as of the end of 1Q14, each on a look-through basis.

### Swiss statistics – Basel III – Group

| | | | **Phase-in** | | | **Look-through** |
|---|---|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | % change QoQ | **1Q14** | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | |
| CET1 capital | 40,903 | 42,989 | (5) | 27,858 | 26,480 | 5 |
| Swiss regulatory adjustments [1] | (151) | 1,658 | – | (163) | 1,824 | – |
| **Swiss CET1 capital [2]** | **40,752** | **44,647** | (9) | **27,695** | **28,304** | (2) |
| High-trigger capital instruments | 8,231 [3] | 7,743 | 6 | 8,231 | 7,743 | 6 |
| Low-trigger capital instruments | 6,109 [4] | 6,005 | 2 | 6,109 | 6,005 | 2 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 6,012 | – | – | – | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (6,677) | – | – | (2) | – | – |
| **Swiss total eligible capital [2]** | **54,427** | **58,395** | (7) | **42,033** | **42,052** | 0 |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III | 285,996 | 273,846 | 4 | 279,694 | 266,103 | 5 |
| Swiss regulatory adjustments [6] | 737 | 1,015 | (27) | 736 | 1,031 | (29) |
| **Swiss risk-weighted assets** | **286,733** | **274,861** | 4 | **280,430** | **267,134** | 5 |
| **Capital ratios (%)** | | | | | | |
| Swiss CET1 ratio | 14.2 | 16.2 | – | 9.9 | 10.6 | – |
| Swiss total capital ratio | 19.0 | 21.2 | – | 15.0 | 15.7 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 5.7 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
4 Consists of CHF 2.3 billion additional tier 1 instruments and CHF 3.8 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

## Swiss statistics – Basel III – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | **1Q14** | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | |
| CET1 capital | 37,129 | 38,028 | (2) |
| Swiss regulatory adjustments [1] | (90) | 1,711 | – |
| **Swiss CET1 capital [2]** | **37,039** | **39,739** | (7) |
| High-trigger capital instruments | 8,228 [3] | 7,743 | 6 |
| Low-trigger capital instruments | 5,247 [4] | 5,164 | 2 |
| Additional tier 1 and tier 2 instruments subject to phase-out [5] | 5,432 | – | – |
| Deductions from additional tier 1 and tier 2 capital [5] | (5,923) | – | – |
| **Swiss total eligible capital [2]** | **50,023** | **52,646** | (5) |
| **Risk-weighted assets (CHF million)** | | | |
| Risk-weighted assets – Basel III | 276,892 | 264,268 | 5 |
| Swiss regulatory adjustments [6] | 740 | 1,020 | (27) |
| **Swiss risk-weighted assets** | **277,632** | **265,288** | 5 |
| **Capital ratios (%)** | | | |
| Swiss CET1 ratio | 13.3 | 15.0 | – |
| Swiss total capital ratio | 18.0 | 19.8 | – |

1 Includes adjustments for certain unrealized gains outside the trading book and, in 4Q13, also included tier 1 participation securities, which were redeemed in 1Q14.
2 Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
3 Consists of CHF 5.7 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
4 Consists of CHF 1.4 billion additional tier 1 instruments and CHF 3.8 billion tier 2 instruments.
5 Reflects the FINMA Decree, which was effective in 1Q14.
6 Primarily includes differences in the credit risk multiplier.

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

## Swiss capital requirements and coverage

| | Group | | | | | Bank | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q14 | Minimum component | Buffer component | Progressive component | Excess | 1Q14 |
| **Risk-weighted assets (CHF billion)** | | | | | | | | | | |
| **Swiss risk-weighted assets** | – | – | – | – | 286.7 | – | – | – | – | 277.6 |
| **2014 Swiss capital requirements** [1] | | | | | | | | | | |
| Minimum Swiss total capital ratio | 4.0% | 4.5% | 1.68% | – | 10.18% | 4.0% | 4.5% | 1.68% | – | 10.18% |
| Minimum Swiss total eligible capital (CHF billion) | 11.5 | 12.9 | 4.8 | – | 29.2 | 11.1 | 12.5 | 4.7 | – | 28.3 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 11.5 | 7.9 | – | 21.4 | 40.8 | 11.1 | 7.6 | – | 18.3 | 37.0 |
| High-trigger capital instruments | – | 5.0 | – | 3.2 | 8.2 | – | 4.9 | – | 3.4 | 8.2 |
| Low-trigger capital instruments | – | – | 4.8 | 1.3 | 6.1 | – | – | 4.7 | 0.6 | 5.2 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.0 | 6.0 | – | – | – | 5.4 | 5.4 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (6.7) | (6.7) | – | – | – | (5.9) | (5.9) |
| **Swiss total eligible capital** | **11.5** | **12.9** | **4.8** | **25.2** | **54.4** | **11.1** | **12.5** | **4.7** | **21.8** | **50.0** |
| **Capital ratios (%)** | | | | | | | | | | |
| Swiss total capital ratio | **4.0%** | **4.5%** | **1.68%** | **8.8%** | **19.0%** | **4.0%** | **4.5%** | **1.68%** | **7.8%** | **18.0%** |

Rounding differences may occur. Excludes countercyclical buffer that was required as of September 30, 2013.
[1] The Swiss capital requirements are based on a percentage of RWA.

### Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons. As of the end of 1Q14, our Swiss leverage ratio was 4.8% and the total average exposure was CHF 1,137.6 billion. As of the end of 1Q14, our total exposure was CHF 1,140 billion, compared to our updated long-term target of approximately CHF 1,000 billion.

The Group's look-through Swiss leverage ratio was 3.7% as of the end of 1Q14, compared to the 4.0% requirement for 2019 taking into account FINMA's reduction of our progressive component requirement beginning in 2014.

## Swiss leverage ratio – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | 1Q14 | 4Q13 | % change QoQ | 1Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | | | | |
| **Swiss total eligible capital** | **54,427** | **58,395** | (7) | **42,033** | **42,052** | 0 |
| **Exposure (CHF million)** [1] | | | | | | |
| Balance sheet assets | 879,250 | 890,242 | (1) | 879,250 | 890,242 | (1) |
| Off-balance sheet exposures | 135,500 | 133,426 | 2 | 135,500 | 133,426 | 2 |
| Regulatory adjustments | 122,813 | 130,150 | (6) | 108,996 | 113,596 | (4) |
| **Total average exposure** | **1,137,563** | **1,153,818** | **(1)** | **1,123,746** | **1,137,264** | **(1)** |
| **Swiss leverage ratio (%)** | | | | | | |
| Swiss leverage ratio | **4.8** | **5.1** | – | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## Swiss leverage ratio – Bank

| | | | Phase-in |
|---|---|---|---|
| end of | 1Q14 | 4Q13 | % change QoQ |
| **Swiss total eligible capital (CHF million)** | | | |
| **Swiss total eligible capital** | **50,023** | **52,646** | (5) |
| **Exposure (CHF million)** [1] | | | |
| Balance sheet assets | 860,940 | 872,097 | (1) |
| Off-balance sheet exposures | 134,878 | 132,567 | 2 |
| Regulatory adjustments | 121,540 | 127,795 | (5) |
| **Total average exposure** | **1,117,358** | **1,132,459** | **(1)** |
| **Swiss leverage ratio (%)** | | | |
| Swiss leverage ratio | **4.5** | **4.6** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

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

## Swiss leverage requirements and coverage

| | Group | | | | | Bank | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 1Q14 | Minimum component | Buffer component | Progressive component | Excess | 1Q14 |
| **Exposure (CHF billion)** | | | | | | | | | | |
| **Total average exposure** | **–** | **–** | **–** | **–** | **1,137.6** | **–** | **–** | **–** | **–** | **1,117.4** |
| **2013 Swiss leverage requirements** [1] | | | | | | | | | | |
| Minimum Swiss leverage ratio | 0.96% | 1.08% | 0.40% | – | 2.44% | 0.96% | 1.08% | 0.40% | – | 2.44% |
| Minimum Swiss leverage (CHF billion) | 10.9 | 12.3 | 4.6 | – | 27.8 | 10.7 | 12.1 | 4.5 | – | 27.3 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss CET1 capital | 10.9 | 7.5 | – | 22.3 | 40.8 | 10.7 | 7.4 | – | 18.9 | 37.0 |
| High-trigger capital instruments | – | 4.8 | – | 3.5 | 8.2 | – | 4.7 | – | 3.5 | 8.2 |
| Low-trigger capital instruments | – | – | 4.6 | 1.5 | 6.1 | – | – | 4.5 | 0.8 | 5.2 |
| Additional tier 1 and tier 2 instruments subject to phase-out | – | – | – | 6.0 | 6.0 | – | – | – | 5.4 | 5.4 |
| Deductions from additional tier 1 and tier 2 capital | – | – | – | (6.7) | (6.7) | – | – | | (5.9) | (5.9) |
| **Swiss Total Capital** | **10.9** | **12.3** | **4.6** | **26.6** | **54.4** | **10.7** | **12.1** | **4.5** | **22.7** | **50.0** |
| **Swiss leverage ratio (%)** | | | | | | | | | | |
| **Swiss leverage ratio** | **0.96%** | **1.08%** | **0.40%** | **2.34%** | **4.78%** | **0.96%** | **1.08%** | **0.40%** | **2.03%** | **4.48%** |

Rounding differences may occur.
[1] The leverage requirements are based on a percentage of total average exposure.

### Total shareholders' equity

Our total shareholders' equity increased to CHF 43.2 billion as of the end of 1Q14 compared to CHF 42.2 billion as of the end of 4Q13. Total shareholders' equity was impacted by net income, the effect of share-based compensation and the purchase of subsidiary shares from non-controlling interests, relating to the redemption of tier 1 participation securities. These increases were partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and treasury shares purchases and sales.

▸ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

## Capital

| | | end of | % change |
|---|---|---|---|
| | **1Q14** | 4Q13 | QoQ |
| **Shareholders' equity (CHF million)** | | | |
| Common shares | 64 | 64 | 0 |
| Additional paid-in capital | 28,406 | 27,853 | 2 |
| Retained earnings | 31,092 | 30,261 | 3 |
| Treasury shares, at cost | (249) | (139) | 79 |
| Accumulated other comprehensive income/(loss) | (16,083) | (15,875) | 1 |
| **Total shareholders' equity** | **43,230** | **42,164** | 3 |
| Goodwill | (7,956) | (7,999) | (1) |
| Other intangible assets | (228) | (210) | 9 |
| **Tangible shareholders' equity** [1] | **35,046** | **33,955** | 3 |
| **Shares outstanding (million)** | | | |
| Common shares issued | 1,596.1 | 1,596.1 | 0 |
| Treasury shares | (8.9) | (5.2) | 71 |
| **Shares outstanding** | **1,587.2** | **1,590.9** | 0 |
| **Par value (CHF)** | | | |
| **Par value** | **0.04** | **0.04** | 0 |
| **Book value per share (CHF)** | | | |
| **Total book value per share** | **27.24** | **26.50** | 3 |
| Goodwill per share | (5.01) | (5.03) | 0 |
| Other intangible assets per share | (0.15) | (0.13) | 15 |
| **Tangible book value per share** [1] | **22.08** | **21.34** | 3 |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 1Q14, overall position risk decreased 5%, utilized economic capital decreased 2%, average risk management VaR in US dollars increased 5% and gross impaired loans were stable at CHF 1.5 billion.

## ECONOMIC CAPITAL AND POSITION RISK

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating).

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes, prior-period balances are restated in order to show meaningful trends.

In 1Q14, we made an enhancement to the position risk dataset for risk management purposes. For real estate & structured assets, the dataset now includes funding risk for off-balance sheet residential mortgage-backed securities (RMBS) conduit positions. For fixed income trading, we have enhanced the scope for default risk for the traded credit spread portfolio to include credit default swaps (CDS). The net impact of these dataset changes on position risk for the Group as of the end of 4Q13 was a decrease of CHF 343 million, or 2.8%, reflecting net short positions in the portfolio.

For utilized economic capital used for capital management purposes, the decrease from the above dataset changes on position risk was partially offset by an increase resulting from the implementation of a revised internal AMA model to calculate the regulatory capital requirement for operational risk. The net impact of the dataset and methodology changes on utilized economic capital for the Group as of the end of 4Q13 was a decrease of CHF 308 million, or 1.0%.

‣ Refer to “Economic capital and position risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on economic capital and position risk.

‣ Refer to “Operational risk” for further information on the revised AMA model to calculate the regulatory capital requirement for operational risk.

### Key position risk trends

Position risk for risk management purposes as of the end of 1Q14 decreased 5% compared to the end of 4Q13. Excluding the US dollar translation impact, position risk decreased 4%, mainly due to lower credit spread, foreign exchange and interest rate exposures in fixed income trading and decreased exposures in Eastern Europe in emerging markets country event risk. A decrease in equity trading & investments was mainly due to lower cash equities and liquid hedge fund exposures. These decreases were partially offset by increases from new loan commitments and counterparty risk in Investment Banking in international lending & counterparty exposures.

## Position risk

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 1,431 | 2,825 | 2,196 | (49) | (35) |
| Equity trading & investments | 1,548 | 1,715 | 1,832 | (10) | (16) |
| Private banking corporate & retail lending | 2,338 | 2,350 | 2,383 | (1) | (2) |
| International lending & counterparty exposures | 5,419 | 4,957 | 4,494 | 9 | 21 |
| Emerging markets country event risk | 1,126 | 1,412 | 1,470 | (20) | (23) |
| Real estate & structured assets [2] | 1,991 | 2,037 | 2,132 | (2) | (7) |
| **Simple sum across risk categories** | **13,853** | **15,296** | **14,507** | (9) | (5) |
| Diversification benefit [3] | (2,686) | (3,596) | (3,149) | (25) | (15) |
| **Position risk (99% confidence level for risk management purposes)** | **11,167** | **11,700** | **11,358** | (5) | (2) |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
[1] This category comprises fixed income trading, foreign exchange and commodity exposures.
[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.
[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Compared to the end of 1Q13, position risk for risk management purposes decreased 2%. Excluding the US dollar translation impact, position risk increased 4%, mainly due to new loan commitments and increased counterparty risk in Investment Banking in international lending & counterparty exposures. These increases were partially offset by reduced credit spread and interest rate exposures in fixed income trading, decreased exposures in Latin America in emerging markets country event risk and reduced private equity exposures in equity trading & investments.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Economic capital resources (CHF million)** | | | | | |
| Look-through CET1 capital (Basel III) | 27,858 | 26,480 | 24,797 | 5 | 12 |
| Economic adjustments [1] | 10,228 | 11,464 | 9,576 | (11) | 7 |
| **Economic capital resources** | **38,086** | **37,944** | **34,373** | 0 | 11 |
| **Utilized economic capital (CHF million)** | | | | | |
| Position risk (99.97% confidence level) | 19,665 | 20,665 | 20,180 | (5) | (3) |
| Operational risk | 5,212 | 4,731 | 4,608 | 10 | 13 |
| Other risks [2] | 6,572 | 6,574 | 7,021 | 0 | (6) |
| **Utilized economic capital** | **31,449** | **31,970** | **31,809** | (2) | (1) |
| **Utilized economic capital by segment (CHF million)** | | | | | |
| Private Banking & Wealth Management | 9,407 | 9,378 | 9,945 | 0 | (5) |
| Investment Banking | 19,865 | 20,367 | 19,625 | (2) | 1 |
| Corporate Center [3] | 2,196 | 2,244 | 2,258 | (2) | (3) |
| **Utilized economic capital – Credit Suisse [4]** | **31,449** | **31,970** | **31,809** | (2) | (1) |
| **Average utilized economic capital by segment (CHF million)** | | | | | |
| Private Banking & Wealth Management | 9,392 | 9,504 | 9,877 | (1) | (5) |
| Investment Banking | 20,116 | 19,469 | 19,249 | 3 | 5 |
| Corporate Center [3] | 2,220 | 2,250 | 2,250 | (1) | (1) |
| **Average utilized economic capital – Credit Suisse [5]** | **31,710** | **31,204** | **31,357** | 2 | 1 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

[1] Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

[2] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain methodology changes planned for 2014.

[3] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

[4] Includes a diversification benefit of CHF 19 million, CHF 19 million and CHF 19 million as of the end of 1Q14, 4Q13 and 1Q13, respectively.

[5] Includes a diversification benefit of CHF 18 million, CHF 19 million and CHF 19 million as of the end of 1Q14, 4Q13 and 1Q13, respectively.

**Utilized economic capital trends**

In 1Q14, our utilized economic capital decreased 2%, mainly due to lower position risk primarily in Investment Banking, partially offset by higher operational risk across the business divisions.

For Private Banking & Wealth Management, utilized economic capital was stable, as higher operational risk was offset by a reduction in other risks.

For Investment Banking, utilized economic capital decreased 2%, mainly due to decreased position risk in fixed income trading and emerging markets country event risk, largely offset by higher position risk in international lending & counterparty exposures, higher operational risk and higher risks relating to equity options captured as a model add-on in other risks.

For Corporate Center, utilized economic capital decreased 2%, mainly due to a decrease in foreign exchange risk between utilized economic capital and economic capital resources.

## MARKET RISK

**Trading portfolios**

We primarily assume market risk through the trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations. Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

Trading risks are measured using VaR along with a number of other risk measurement tools. VaR measures the potential loss in fair value of trading positions due to adverse market movements over a defined time horizon at a specified confidence level. VaR relies on historical data and is considered a useful tool for estimating potential loss in normal markets in which there are no abrupt changes in market conditions. We use risk management VaR for internal risk management purposes and regulatory VaR for regulatory capital purposes. For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. Our VaR methodology is the same for both VaR measures, except for the confidence levels and holding periods. Other tools, including stress testing, are more appropriate for modeling the impact from severe market conditions.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 1Q14, we updated our VaR models to better capture the volatility skew risk for equity derivatives. The cumulative impact of this update on the average 1Q14 risk management VaR was immaterial and prior periods have not been restated.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes an IRC, stressed VaR and, since January 1, 2013, consideration of the impact of changes in a counterparty's credit spreads (also known as CVA).

▸ Refer to “Market risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information.

In order to show the aggregate market risk in our trading books, the chart entitled “Daily risk management VaR” shows the trading-related market risk on a consolidated basis.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR increased 5% to USD 46 million from 4Q13, driven by increases in foreign exchange and equity exposures and higher market volatility, partially offset by increased portfolio diversification benefit and reduced credit spread exposures. Compared to 1Q13, average risk management VaR increased 7% due to an increase in equity exposures and reduced portfolio diversification benefit, partially offset by reduced interest rate and credit spread exposures.

Period-end risk management VaR decreased 8% to USD 47 million from 4Q13, reflecting mainly lower equity exposures, partially offset by increased market volatility. Compared to 1Q13, period-end risk management VaR increased 21%, mainly reflecting increased foreign exchange exposures and reduced portfolio diversification benefit.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **1Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 31 | 10 | 3 | 19 | (35) | 41 | 35 |
| Minimum | 9 | 29 | 5 | 1 | 14 | – [1] | 36 | 26 |
| Maximum | 17 | 33 | 17 | 4 | 24 | – [1] | 46 | 45 |
| End of period | 14 | 31 | 9 | 2 | 15 | (29) | 42 | 34 |
| **4Q13 (CHF million)** | | | | | | | | |
| Average | 12 | 34 | 8 | 2 | 17 | (33) | 40 | 32 |
| Minimum | 8 | 32 | 3 | 1 | 13 | – [1] | 33 | 22 |
| Maximum | 16 | 37 | 15 | 3 | 24 | – [1] | 45 | 44 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 | 31 |
| **1Q13 (CHF million)** | | | | | | | | |
| Average | 23 | 38 | 11 | 2 | 17 | (51) | 40 | 48 |
| Minimum | 17 | 33 | 6 | 1 | 12 | – [1] | 34 | 32 |
| Maximum | 45 | 41 | 24 | 3 | 36 | – [1] | 55 | 77 |
| End of period | 17 | 37 | 8 | 3 | 15 | (43) | 37 | 32 |

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

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **1Q14 (USD million)** | | | | | | | | |
| Average | 14 | 35 | 12 | 3 | 21 | (39) | 46 | 40 |
| Minimum | 10 | 33 | 6 | 1 | 15 | – [1] | 41 | 28 |
| Maximum | 19 | 37 | 19 | 5 | 27 | – [1] | 52 | 51 |
| End of period | 16 | 35 | 10 | 2 | 17 | (33) | 47 | 38 |
| **4Q13 (USD million)** | | | | | | | | |
| Average | 13 | 37 | 9 | 2 | 18 | (35) | 44 | 35 |
| Minimum | 9 | 35 | 3 | 1 | 15 | – [1] | 37 | 24 |
| Maximum | 17 | 41 | 17 | 4 | 27 | – [1] | 51 | 49 |
| End of period | 11 | 36 | 7 | 3 | 27 | (33) | 51 | 35 |
| **1Q13 (USD million)** | | | | | | | | |
| Average | 25 | 40 | 12 | 2 | 18 | (54) | 43 | 51 |
| Minimum | 18 | 36 | 6 | 1 | 13 | – [1] | 36 | 34 |
| Maximum | 49 | 44 | 25 | 3 | 38 | – [1] | 58 | 83 |
| End of period | 18 | 40 | 8 | 3 | 16 | (46) | 39 | 34 |

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

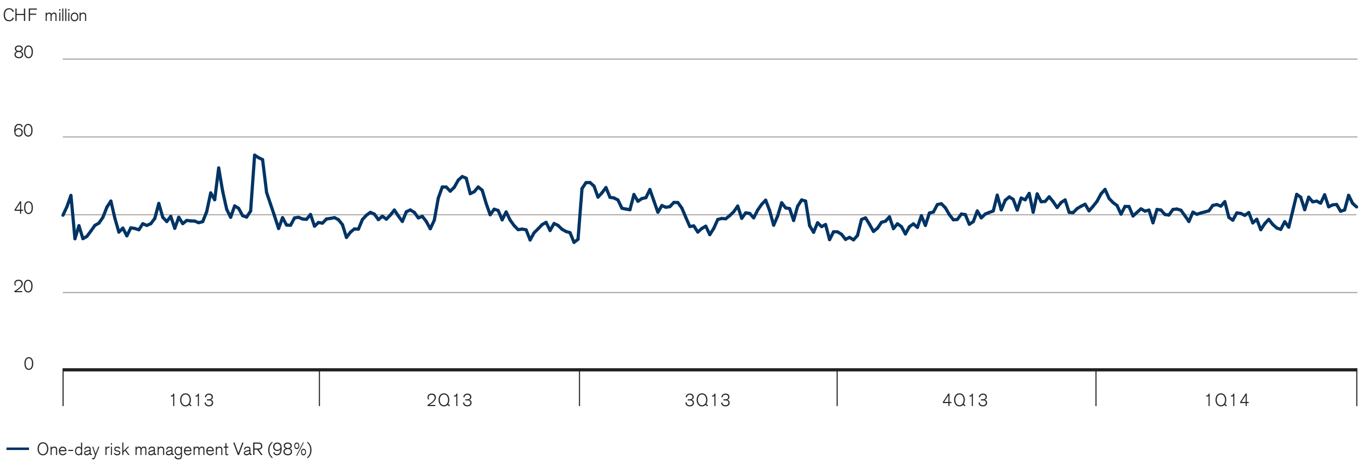
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in 1Q14 and in the 12-month-period through 1Q14. Since there were fewer than five backtesting exceptions in the rolling 12-month period through 1Q14, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

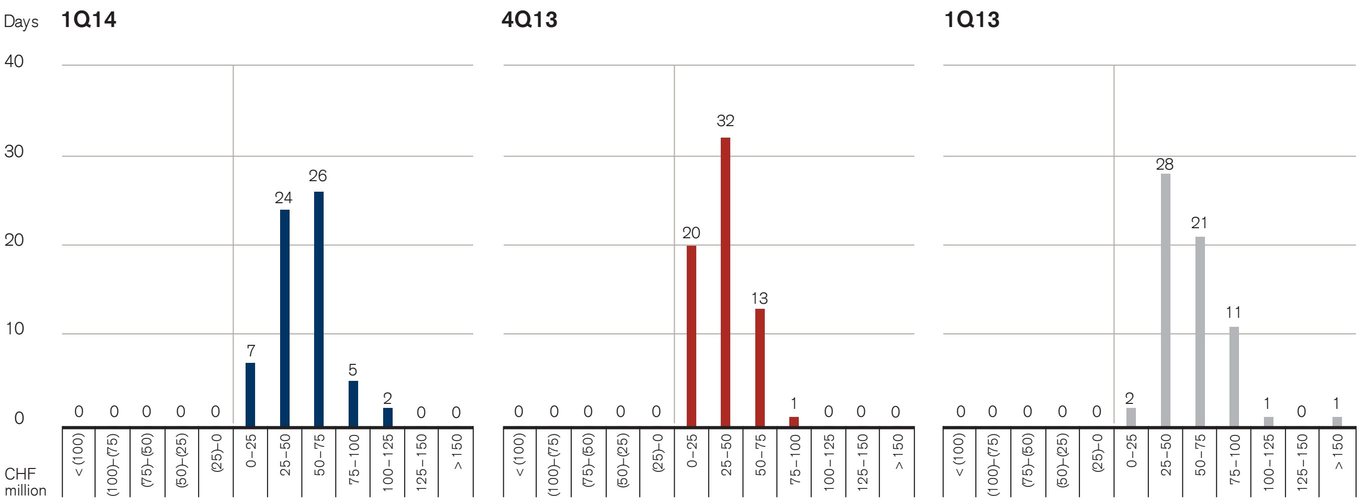
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 1Q14 with those for 4Q13 and 1Q13. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 1Q14 and 4Q13, we had no trading loss days.

## Daily risk management VaR




Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking portfolios

We assume non-trading interest rate risk through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to a valuation increase of CHF 6.9 million as of the end of 1Q14, compared to a valuation increase of CHF 8.5 million as of the end of 4Q13.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

### Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on credit risk.

▸ Refer to "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

### Credit risk overview

The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client.

## Credit risk

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Balance sheet (CHF million)** | | | | | |
| Gross loans | 251,629 | 248,014 | 249,995 | 1 | 1 |
| Loans held-for-sale | 20,223 | 18,914 | 19,772 | 7 | 2 |
| Traded loans | 6,427 | 6,397 | 5,122 | 0 | 25 |
| Derivative instruments [1] | 32,432 | 33,665 | 35,979 | (4) | (10) |
| **Total balance sheet** | **310,711** | **306,990** | **310,868** | 1 | 0 |
| **Off-balance sheet (CHF million)** | | | | | |
| Irrevocable loan commitments [2] | 103,332 | 96,990 | 97,601 | 7 | 6 |
| Credit guarantees and similar instruments | 4,286 | 4,214 [3] | 12,415 | 2 | (65) |
| Irrevocable commitments under documentary credits | 5,090 | 5,512 | 5,498 | (8) | (7) |
| **Total off-balance sheet** | **112,708** | **106,716** | **115,514** | 6 | (2) |
| **Total credit risk** | **423,419** | **413,706** | **426,382** | 2 | (1) |

Before risk mitigation, for example, collateral and credit hedges.
1 Positive replacement value after netting agreements.
2 Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client. 1Q13 has been adjusted to the current presentation.
3 Prior period has been corrected.

## Loans

| | Private Banking & Wealth Management | | | Investment Banking | | | Credit Suisse [1] | | |
|---|---|---|---|---|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Loans (CHF million)** | | | | | | | | | |
| Mortgages | 95,700 | 94,978 | 92,703 | 0 | 0 | 0 | 95,700 | 94,978 | 92,703 |
| Loans collateralized by securities | 34,253 | 31,565 | 29,251 | 0 | 0 | 0 | 34,253 | 31,565 | 29,251 |
| Consumer finance | 5,530 | 5,672 | 6,837 | 253 | 266 | 624 | 5,783 | 5,938 | 7,461 |
| Consumer | 135,483 | 132,215 | 128,791 | 253 | 266 | 624 | 135,736 | 132,481 | 129,415 |
| Real estate | 26,302 | 26,557 | 25,126 | 1,018 | 755 | 651 [2] | 27,320 | 27,312 | 25,777 [2] |
| Commercial and industrial loans | 50,799 | 48,953 | 50,062 | 14,931 | 14,356 | 15,044 [2] | 65,760 | 63,334 | 65,128 [2] |
| Financial institutions | 7,987 | 7,538 | 7,791 | 11,485 | 14,302 | 17,612 [2] | 19,472 | 21,840 | 25,403 [2] |
| Governments and public institutions | 1,251 | 1,236 | 1,313 | 2,090 | 1,811 | 2,959 [2] | 3,341 | 3,047 | 4,272 [2] |
| Corporate & institutional | 86,339 [3] | 84,284 [3] | 84,292 [3] | 29,524 | 31,224 | 36,266 | 115,893 | 115,533 | 120,580 |
| **Gross loans** | **221,822** | **216,499** | **213,083** | **29,777** | **31,490** | **36,890** | **251,629** | **248,014** | **249,995** |
| of which held at fair value | 227 | 226 | 252 | 19,753 | 19,231 | 22,400 | 19,980 | 19,457 | 22,652 |
| Net (unearned income) / deferred expenses | (84) | (71) | (63) | (20) | (20) | (21) | (104) | (91) | (84) |
| Allowance for loan losses [4] | (719) | (715) | (782) | (143) | (151) | (134) | (866) | (869) | (916) |
| **Net loans** | **221,019** | **215,713** | **212,238** | **29,614** | **31,319** | **36,735** | **250,659** | **247,054** | **248,995** |
| **Impaired loans (CHF million)** | | | | | | | | | |
| Non-performing loans | 620 | 608 | 708 | 221 | 251 | 221 | 845 | 862 | 929 |
| Non-interest-earning loans | 283 | 280 | 321 | 0 | 1 | 3 | 283 | 281 | 324 |
| Total non-performing and non-interest-earning loans | 903 | 888 | 1,029 | 221 | 252 | 224 | 1,128 | 1,143 | 1,253 |
| Restructured loans | 0 | 6 | 0 | 0 | 0 | 20 | 0 | 6 | 20 |
| Potential problem loans | 368 | 340 | 494 | 3 | 0 | 14 | 371 | 340 | 508 |
| Total other impaired loans | 368 | 346 | 494 | 3 | 0 | 34 | 371 | 346 | 528 |
| **Gross impaired loans** [4] | **1,271** | **1,234** | **1,523** | **224** | **252** | **258** | **1,499** | **1,489** | **1,781** |
| of which loans with a specific allowance | 1,180 | 1,165 | 1,393 | 217 | 244 | 189 | 1,401 | 1,412 | 1,582 |
| of which loans without a specific allowance | 91 | 69 | 130 | 7 | 8 | 69 | 98 | 77 | 199 |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** [4] | **715** | **723** | **785** | **151** | **146** | **137** | **869** | **871** | **922** |
| Net movements recognized in statements of operations | 31 | 41 | 30 | (2) | 12 | (10) | 30 | 54 | 20 |
| Gross write-offs | (33) | (56) | (52) | (13) | (4) | (2) | (46) | (60) | (54) |
| Recoveries | 6 | 7 | 5 | 4 | (1) | 2 | 10 | 6 | 7 |
| Net write-offs | (27) | (49) | (47) | (9) | (5) | 0 | (36) | (54) | (47) |
| Provisions for interest | 2 | 1 | 6 | 3 | 5 | 1 | 5 | 6 | 7 |
| Foreign currency translation impact and other adjustments, net | (2) | (1) | 8 | 0 | (7) | 6 | (2) | (8) | 14 |
| **Balance at end of period** [4] | **719** | **715** | **782** | **143** | **151** | **134** | **866** | **869** | **916** |
| of which individually evaluated for impairment | 546 | 537 | 593 | 103 | 114 | 96 | 653 | 654 | 689 |
| of which collectively evaluated for impairment | 173 | 178 | 189 | 40 | 37 | 38 | 213 | 215 | 227 |
| **Loan metrics (%)** | | | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [5] | 0.4 | 0.4 | 0.5 | 2.2 | 2.1 | 1.5 | 0.5 | 0.5 | 0.6 |
| Gross impaired loans / Gross loans [5] | 0.6 | 0.6 | 0.7 | 2.2 | 2.1 | 1.8 | 0.6 | 0.7 | 0.8 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [4] | 79.6 | 80.5 | 76.0 | 64.7 | 59.9 | 59.8 | 76.8 | 76.0 | 73.1 |
| Allowance for loan losses / Gross impaired loans [4] | 56.6 | 57.9 | 51.3 | 63.8 | 59.9 | 51.9 | 57.8 | 58.4 | 51.4 |

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions and from governments and public institutions to commercial and industrial loans, respectively.
[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 70,566 million, CHF 67,522 million and CHF 65,929 million as of the end of 1Q14, 4Q13 and 1Q13, respectively.
[4] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
[5] Excludes loans carried at fair value.

## Loan exposure

Compared to the end of 4Q13, gross loans increased CHF 3.6 billion to CHF 251.6 billion. In Private Banking & Wealth Management, gross loans were CHF 221.8 billion, up CHF 5.3 billion from 4Q13, reflecting increased lending driven by loans collateralized by securities and commercial and industrial loans. Gross loans in Investment Banking decreased CHF 1.7 billion to CHF 29.8 billion, primarily from decreases in loans to financial institutions, partially offset by higher commercial and industrial loans.

Gross impaired loans were stable at CHF 1.5 billion. In Private Banking & Wealth Management, gross impaired loans slightly increased CHF 37 million to CHF 1.3 billion, primarily due to higher potential problem and non-performing loans. In Investment Banking, gross impaired loans decreased CHF 28 million to CHF 224 million, driven by a loan repayment and a write-off of a non-performing loan.

We recorded a net provision for credit losses of CHF 34 million in 1Q14, compared to CHF 53 million in 4Q13, with a net provision of CHF 33 million in Private Banking & Wealth Management. Investment Banking did not require a provision for credit losses in 1Q14.

Compared to the end of 1Q13, gross loans increased 1%. An increase in Private Banking & Wealth Management of 4% was primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact and a decrease in consumer finance. In Investment Banking, a decrease of 19% was related to lower loans to financial institutions and the US dollar translation impact, partially offset by higher commercial and industrial loans and increased loans to the real estate sector. Gross impaired loans decreased 16% driven by decreases in potential problem loans and total non-performing and non-interest-earning loans across the Group.

## Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table and the related description of developments is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps (TRS)).

## Selected European credit risk exposures

| | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| end of 1Q14 | | CDS | Other [1] | | | Net synthetic inventory [3] | Gross | Net |
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.6 | 0.0 | 0.5 | 0.1 | 0.0 | (0.2) | 0.6 | 0.1 |
| **Total** | **0.6** | **0.0** | **0.5** | **0.1** | **0.0** | **(0.2)** | **0.6** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.7 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.7** | **0.0** | **0.0** | **0.0** | **0.7** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Sovereigns | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Corporates & other | 0.5 | 0.0 | 0.5 | 0.0 | 0.0 | (0.1) | 0.5 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.5** | **0.2** | **0.0** | **(0.1)** | **0.7** | **0.2** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 0.9 | 0.0 | 0.4 | 0.5 | 0.2 | 0.0 | 1.1 | 0.7 |
| Corporates & other | 0.7 | 0.0 | 0.6 | 0.1 | 0.0 | 0.0 | 0.7 | 0.1 |
| **Total** | **1.6** | **0.0** | **1.0** | **0.6** | **0.2** | **0.0** | **1.8** | **0.8** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 3.6 | 2.8 | 0.3 | 0.5 | 0.5 | (0.3) | 4.1 | 1.0 |
| Financial institutions | 1.5 | 0.0 | 0.9 | 0.6 | 0.1 | (0.1) | 1.6 | 0.7 |
| Corporates & other | 2.5 | 0.1 | 1.9 | 0.5 | 0.1 | (0.1) | 2.6 | 0.6 |
| **Total** | **7.6** | **2.9** | **3.1** | **1.6** | **0.7** | **(0.5)** | **8.3** | **2.3** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | (0.2) | 0.2 | 0.1 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.2** | **(0.2)** | **0.5** | **0.2** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial institutions | 0.6 | 0.0 | 0.4 | 0.2 | 0.5 | 0.1 | 1.1 | 0.7 |
| Corporates & other | 1.8 | 0.1 | 1.1 | 0.6 | 0.1 | (0.1) | 1.9 | 0.7 |
| **Total** | **2.4** | **0.1** | **1.5** | **0.8** | **0.7** | **0.1** | **3.1** | **1.5** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.5 | 2.8 | 0.9 | 0.8 | 0.6 | (0.4) | 5.1 | 1.4 |
| Financial institutions | 3.1 | 0.0 | 1.8 | 1.3 | 0.9 | (0.2) | 4.0 | 2.2 |
| Corporates & other | 6.3 | 0.2 | 4.9 | 1.2 | 0.3 | (0.3) | 6.6 | 1.5 |
| **Total** | **13.9** | **3.0** | **7.6** | **3.3** | **1.8** | **(0.9)** | **15.7** | **5.1** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain as of the end of 1Q14 was EUR 5.1 billion, up from EUR 4.3 billion as of the end of 4Q13. Our net exposure to these sovereigns was EUR 1.4 billion, up from EUR 0.8 billion compared to the end of 4Q13. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 1Q14 included net exposure to financial institutions of EUR 2.2 billion and to corporates and other counterparties of EUR 1.5 billion, compared to EUR 2.3 billion and EUR 1.9 billion, respectively, as of the end of 4Q13. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

### Sovereign debt rating developments

In 1Q14, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Standard & Poor's lowered Croatia's rating to BB from BB+ and Moody's increased Ireland's rating to Baa3 from Ba1 and Spain's rating to Baa2 from Baa3. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## OPERATIONAL RISK

Effective January 1, 2014, we have implemented a revised FINMA-approved internal AMA model to calculate the regulatory capital requirement for operational risk. The AMA capital calculation includes all litigation-related provisions and also an add-on component relating to the aggregate range of the reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions.

▸ Refer to "Operational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2013 for further information on the revised AMA model used for regulatory capital calculation.

The increase in the capital required for operational risk primarily reflected the implementation of the revised AMA model, including a limitation set by FINMA of the capital benefit for insurance-based risk transfer to 5% of the total AMA capital charge, and an increase in the aggregate range of reasonably possible litigation losses.

# Balance sheet and off-balance sheet

Total assets were CHF 878.1 billion, total liabilities were CHF 833.8 billion and total equity was CHF 44.3 billion. Both total assets and total liabilities were stable for the quarter. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## Balance sheet summary

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 65,972 | 68,692 | 57,242 | (4) | 15 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 162,890 | 160,022 | 180,513 | 2 | (10) |
| Trading assets | 237,069 | 229,413 | 264,201 | 3 | (10) |
| Net loans | 250,659 | 247,054 | 248,995 | 1 | 1 |
| Brokerage receivables | 49,353 | 52,045 | 58,538 | (5) | (16) |
| All other assets | 112,147 | 115,580 | 137,129 | (3) | (18) |
| **Total assets** | **878,090** | **872,806** | **946,618** | 1 | (7) |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 24,211 | 23,108 | 35,033 | 5 | (31) |
| Customer deposits | 348,450 | 333,089 | 316,681 | 5 | 10 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,675 | 94,032 | 127,182 | (6) | (30) |
| Trading liabilities | 73,029 | 76,635 | 91,490 | (5) | (20) |
| Long-term debt | 132,434 | 130,042 | 143,094 | 2 | (7) |
| Brokerage payables | 70,250 | 73,154 | 73,466 | (4) | (4) |
| All other liabilities | 96,759 | 95,580 | 114,726 | 1 | (16) |
| **Total liabilities** | **833,808** | **825,640** | **901,672** | 1 | (8) |
| **Total shareholders' equity** | **43,230** | **42,164** | **37,825** | 3 | 14 |
| Noncontrolling interests | 1,052 | 5,002 | 7,121 | (79) | (85) |
| **Total equity** | **44,282** | **47,166** | **44,946** | (6) | (1) |
| **Total liabilities and equity** | **878,090** | **872,806** | **946,618** | 1 | (7) |

## BALANCE SHEET

Total assets were CHF 878.1 billion as of the end of 1Q14, stable from the end of 4Q13, reflecting an increase from operating activities, offset by the foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets increased CHF 9.7 billion.

Compared to the end of 4Q13, trading assets increased CHF 7.7 billion, or 3%, due to increases in equity and debt securities, partially offset by a decrease in derivative instruments. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 2.9 billion, or 2%, primarily due to higher customer and bank cash collateral, partially offset by lower reverse repurchase transactions. Net loans were stable at CHF 250.7 billion, primarily reflecting increased loans collateralized by securities in Private Banking & Wealth Management and increased commercial and industrial loans in Private Banking & Wealth Management and Investment Banking, offset by decreased loans to financial institutions in Investment Banking. Cash and due from banks decreased CHF 2.7 billion, or 4%, driven by decreases in central bank holdings. Brokerage receivables decreased CHF 2.7 billion, or 5%, mainly driven by decreases in margin lending and futures margin, partially offset by increases in open trades. All other assets decreased CHF 3.4 billion, or 3%, including decreases of CHF 2.5 billion in other investments, CHF 0.8 billion in assets of discontinued operations held-for-sale and CHF 0.7 billion in other assets, partially offset by an increase of CHF 0.3 billion in investment securities.

Total liabilities were CHF 833.8 billion as of the end of 1Q14, stable from the end of 4Q13, driven by an increase from operating activities, offset by the foreign exchange translation impact. Excluding the foreign exchange translation impact, total liabilities decreased CHF 11.9 billion.

Compared to the end of 4Q13, customer deposits increased CHF 15.4 billion, or 5%, primarily driven by increases in certificates of deposits and investment accounts. Long-term debt increased CHF 2.4 billion, or 2%, primarily reflecting issuances of senior debt, partially offset by maturing of senior debt and non-recourse liabilities from consolidated VIEs. Due to banks increased CHF 1.1 billion, or 5%, mainly driven by increases of deposits with central banks. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions decreased CHF 5.4 billion, or 6%, reflecting a decrease in repurchase agreements. Trading liabilities decreased CHF 3.6 billion, or 5%, reflecting a decrease in derivative instruments, partially offset by an increase in short positions. Brokerage payables decreased CHF 2.9 billion, or 4%, primarily due to lower client activity. All other liabilities were stable at CHF 96.8 billion with an increase of CHF 4.0 billion in short-term borrowings and a decrease of CHF 2.7 billion in other liabilities.

▸ Refer to “Funding sources and uses” in Liquidity and funding management and “Capital management” for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2013 and “Note 25 – Guarantees and commitments” and “Note 29 – Litigation” in III – Condensed consolidated financial statements – unaudited for further information.

# III

# Condensed consolidated financial statements – unaudited

# Notes to the condensed consolidated financial statements – unaudited

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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group AG, Zurich**

We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of March 31, 2014 and 2013 and the related condensed consolidated statements of operations, changes in equity, comprehensive income, and cash flows for the three-month periods ended March 31, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2013, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated April 3, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG AG

Simon Ryder
*Licensed Audit Expert*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
May 2, 2014

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# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | |
| Interest and dividend income | 4,445 | 4,073 | 4,822 |
| Interest expense | (2,267) | (2,326) | (3,016) |
| Net interest income | 2,178 | 1,747 | 1,806 |
| Commissions and fees | 3,275 | 3,425 | 3,248 |
| Trading revenues | 638 | 295 | 1,815 |
| Other revenues | 738 | 672 | 220 |
| **Net revenues** | **6,829** | **6,139** | **7,089** |
| **Provision for credit losses** | **34** | **53** | **22** |
| Compensation and benefits | 2,993 | 2,807 | 2,991 |
| General and administrative expenses | 1,690 | 3,223 | 1,732 |
| Commission expenses | 369 | 389 | 470 |
| Total other operating expenses | 2,059 | 3,612 | 2,202 |
| **Total operating expenses** | **5,052** | **6,419** | **5,193** |
| **Income/(loss) from continuing operations before taxes** | **1,743** | **(333)** | **1,874** |
| Income tax expense/(benefit) | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **1,200** | **(270)** | **1,375** |
| Income/(loss) from discontinued operations, net of tax | 15 | (2) | 6 |
| **Net income/(loss)** | **1,215** | **(272)** | **1,381** |
| Net income attributable to noncontrolling interests | 356 | 204 | 78 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** |
| of which from continuing operations | 844 | (474) | 1,297 |
| of which from discontinued operations | 15 | (2) | 6 |
| **Basic earnings per share (CHF)** | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 |
| Basic earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Basic earnings/(loss) per share** | **0.48** | **(0.37)** | **0.76** |
| **Diluted earnings per share (CHF)** | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 |
| Diluted earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share** | **0.48** | **(0.37)** | **0.75** |

## Consolidated statements of comprehensive income (unaudited)

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Comprehensive income (CHF million)** | | | |
| Net income/(loss) | 1,215 | (272) | 1,381 |
| Gains/(losses) on cash flow hedges | 17 | 11 | 2 |
| Foreign currency translation | (273) | (578) | 927 |
| Unrealized gains/(losses) on securities | 8 | (11) | (7) |
| Actuarial gains/(losses) | 35 | 836 | 70 |
| Net prior service credit/(cost) | (20) | (15) | (27) |
| Other comprehensive income/(loss), net of tax | (233) | 243 | 965 |
| **Comprehensive income/(loss)** | **982** | **(29)** | **2,346** |
| Comprehensive income attributable to noncontrolling interests | 331 | 143 | 205 |
| **Comprehensive income/(loss) attributable to shareholders** | **651** | **(172)** | **2,141** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 65,972 | 68,692 | 57,242 |
| of which reported at fair value | 404 | 527 | 575 |
| of which reported from consolidated VIEs | 737 | 952 | 1,934 |
| Interest-bearing deposits with banks | 1,728 | 1,515 | 1,781 |
| of which reported at fair value | 308 | 311 | 416 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 162,890 | 160,022 | 180,513 |
| of which reported at fair value | 88,081 | 96,587 | 106,474 |
| of which reported from consolidated VIEs | 1,104 | 1,959 | 0 |
| Securities received as collateral, at fair value | 23,029 | 22,800 | 33,199 |
| of which encumbered | 18,184 | 17,964 | 22,093 |
| Trading assets, at fair value | 237,069 | 229,413 | 264,201 |
| of which encumbered | 72,288 | 72,976 | 75,138 |
| of which reported from consolidated VIEs | 3,492 | 3,610 | 3,962 |
| Investment securities | 3,320 | 2,987 | 3,428 |
| of which reported at fair value | 3,320 | 2,987 | 3,428 |
| of which reported from consolidated VIEs | 76 | 100 | 20 |
| Other investments | 7,806 | 10,329 | 12,084 |
| of which reported at fair value | 5,274 | 7,596 | 9,053 |
| of which reported from consolidated VIEs | 1,951 | 1,983 | 2,339 |
| Net loans | 250,659 | 247,054 | 248,995 |
| of which reported at fair value | 19,980 | 19,457 | 22,652 |
| of which encumbered | 702 | 638 | 552 |
| of which reported from consolidated VIEs | 2,047 | 4,207 | 5,465 |
| allowance for loan losses | (866) | (869) | (916) |
| Premises and equipment | 4,926 | 5,091 | 5,593 |
| of which reported from consolidated VIEs | 505 | 513 | 565 |
| Goodwill | 7,956 | 7,999 | 8,584 |
| Other intangible assets | 228 | 210 | 256 |
| of which reported at fair value | 55 | 42 | 42 |
| Brokerage receivables | 49,353 | 52,045 | 58,538 |
| Other assets | 62,405 | 63,065 | 72,204 |
| of which reported at fair value | 32,588 | 31,518 | 35,746 |
| of which encumbered | 610 | 722 | 722 |
| of which reported from consolidated VIEs | 13,711 | 14,330 | 17,754 |
| Assets of discontinued operations held-for-sale | 749 | 1,584 | 0 |
| **Total assets** | **878,090** | **872,806** | **946,618** |

## Consolidated balance sheets (unaudited) (continued)

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 24,211 | 23,108 | 35,033 |
| of which reported at fair value | 1,270 | 1,450 | 2,756 |
| Customer deposits | 348,450 | 333,089 | 316,681 |
| of which reported at fair value | 3,170 | 3,252 | 4,707 |
| of which reported from consolidated VIEs | 233 | 265 | 164 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,675 | 94,032 | 127,182 |
| of which reported at fair value | 70,824 | 76,104 | 102,500 |
| Obligation to return securities received as collateral, at fair value | 23,029 | 22,800 | 33,199 |
| Trading liabilities, at fair value | 73,029 | 76,635 | 91,490 |
| of which reported from consolidated VIEs | 18 | 93 | 111 |
| Short-term borrowings | 24,181 | 20,193 | 24,657 |
| of which reported at fair value | 6,305 | 6,053 | 5,941 |
| of which reported from consolidated VIEs | 5,176 | 4,286 | 8,443 |
| Long-term debt | 132,434 | 130,042 | 143,094 |
| of which reported at fair value | 64,694 | 63,369 | 64,547 |
| of which reported from consolidated VIEs | 12,239 | 12,992 | 14,508 |
| Brokerage payables | 70,250 | 73,154 | 73,466 |
| Other liabilities | 48,768 | 51,447 | 56,870 |
| of which reported at fair value | 21,617 | 21,973 | 25,233 |
| of which reported from consolidated VIEs | 777 | 710 | 1,208 |
| Liabilities of discontinued operations held-for-sale | 781 | 1,140 | 0 |
| **Total liabilities** | **833,808** | **825,640** | **901,672** |
| Common shares | 64 | 64 | 54 |
| Additional paid-in capital | 28,406 | 27,853 | 23,808 |
| Retained earnings | 31,092 | 30,261 | 29,474 |
| Treasury shares, at cost | (249) | (139) | (446) |
| Accumulated other comprehensive income/(loss) | (16,083) | (15,875) | (15,065) |
| **Total shareholders' equity** | **43,230** | **42,164** | **37,825** |
| Noncontrolling interests | 1,052 | 5,002 | 7,121 |
| **Total equity** | **44,282** | **47,166** | **44,946** |
| **Total liabilities and equity** | **878,090** | **872,806** | **946,618** |

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,269,616,660 | 2,269,616,660 | 2,118,134,039 |
| Common shares issued | 1,596,119,349 | 1,596,119,349 | 1,339,652,645 |
| Treasury shares | (8,866,124) | (5,183,154) | (27,495,313) |
| Shares outstanding | 1,587,253,225 | 1,590,936,195 | 1,312,157,332 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **1Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (1,812) | (1,574) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 21 | 21 |
| Net income/(loss) | – | – | 859 | – | – | 859 | 356 | 1,215 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (208) | (208) | (25) | (233) |
| Sale of treasury shares | – | 3 | – | 1,896 | – | 1,899 | – | 1,899 |
| Repurchase of treasury shares | – | – | – | (2,025) | – | (2,025) | – | (2,025) |
| Share-based compensation, net of tax | – | 311 [3] | – | 19 | – | 330 | – | 330 |
| Dividends paid | – | – | (28) | – | – | (28) | (17) | (45) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Change in scope of consolidation, net | – | – | – | – | – | – | (2,473) | (2,473) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |

1 Distributions to owners in funds include the return of original capital invested and any related dividends.
2 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
3 Includes a net tax charge of CHF 48 million from the excess recognized compensation expense over fair value of shares delivered.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **4Q13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,503** | **30,859** | **(85)** | **(16,179)** | **42,162** | **6,849** | **49,011** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | – | – | – | – | – | (22) | (22) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | 216 | – | – | – | 216 | (1,876) | (1,660) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 81 | 81 |
| Net income/(loss) | – | – | (476) | – | – | (476) | 213 | (263) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 304 | 304 | (61) | 243 |
| Issuance of common shares | – | 18 | – | – | – | 18 | – | 18 |
| Sale of treasury shares | – | (6) | – | 2,847 | – | 2,841 | – | 2,841 |
| Repurchase of treasury shares | – | – | – | (2,904) | – | (2,904) | – | (2,904) |
| Share-based compensation, net of tax | – | 308 | – | 3 | – | 311 | – | 311 |
| Financial instruments indexed to own shares | – | (172) | – | – | – | (172) | – | (172) |
| Dividends paid | – | – | (122) | – | – | (122) | (19) | (141) |
| Changes in redeemable noncontrolling interests | – | (5) | – | – | – | (5) | – | (5) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (163) | (163) |
| Other | – | (9) | – | – | – | (9) | – | (9) |
| **Balance at end of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| **1Q13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (163) | (163) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 294 | 294 |
| Net income/(loss) | – | – | 1,303 | – | – | 1,303 | 80 | 1,383 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 838 | 838 | 127 | 965 |
| Issuance of common shares | 1 | 470 | – | – | – | 471 | – | 471 |
| Sale of treasury shares | – | (26) | – | 2,209 | – | 2,183 | – | 2,183 |
| Repurchase of treasury shares | – | – | – | (2,303) | – | (2,303) | – | (2,303) |
| Share-based compensation, net of tax | – | (350) | – | 107 | – | (243) | – | (243) |
| Financial instruments indexed to own shares | – | 80 | – | – | – | 80 | – | 80 |
| Dividends paid | – | – | – | – | – | – | (11) | (11) |
| Changes in redeemable noncontrolling interests | – | (2) | – | – | – | (2) | – | (2) |
| Change in scope of consolidation, net | – | – | – | – | – | – | 8 | 8 |
| **Balance at end of period** | **54** | **23,808** | **29,474** | **(446)** | **(15,065)** | **37,825** | **7,121** | **44,946** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited)

| in | 1Q14 | 1Q13 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income** | **1,215** | **1,381** |
| (Income)/loss from discontinued operations, net of tax | (15) | (6) |
| **Income from continuing operations** | **1,200** | **1,375** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 300 | 338 |
| Provision for credit losses | 34 | 22 |
| Deferred tax provision/(benefit) | 401 | 261 |
| Share of net income/(loss) from equity method investments | 128 | 98 |
| Trading assets and liabilities, net | (11,698) | (4,742) |
| (Increase)/decrease in other assets | (1,538) | (8,575) |
| Increase/(decrease) in other liabilities | (1,530) | 4,422 |
| Other, net | 267 | 515 |
| Total adjustments | (13,636) | (7,661) |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(12,436)** | **(6,286)** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | (213) | 188 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (3,710) | 8,338 |
| Purchase of investment securities | (430) | (16) |
| Proceeds from sale of investment securities | 27 | 11 |
| Maturities of investment securities | 70 | 75 |
| Investments in subsidiaries and other investments | (316) | (762) |
| Proceeds from sale of other investments | 504 | 1,001 |
| (Increase)/decrease in loans | (5,189) | (4,037) |
| Proceeds from sales of loans | 511 | 275 |
| Capital expenditures for premises and equipment and other intangible assets | (200) | (242) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 7 |
| Other, net | 96 | (7) |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(8,850)** | **4,831** |

## Consolidated statements of cash flows (unaudited) (continued)

| in | 1Q14 | 1Q13 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 17,329 | 9,139 |
| Increase/(decrease) in short-term borrowings | 4,086 | 5,336 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (4,716) | (9,689) |
| Issuances of long-term debt | 14,689 | 7,962 |
| Repayments of long-term debt | (12,079) | (16,559) |
| Issuances of common shares | 0 | 471 |
| Sale of treasury shares | 1,899 | 2,183 |
| Repurchase of treasury shares | (2,025) | (2,303) |
| Dividends paid | (45) | (11) |
| Other, net | (850) | (793) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **18,288** | **(4,264)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **507** | **1,294** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | |
| **Net cash provided by/(used in) discontinued operations** | **(229)** | **(96)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **(2,720)** | **(4,521)** |
| Cash and due from banks at beginning of period | 68,692 | 61,763 |
| **Cash and due from banks at end of period** | **65,972** | **57,242** |

## Supplemental cash flow information (unaudited)

| in | 1Q14 | 1Q13 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 369 | 255 |
| Cash paid for interest | 2,649 | 3,303 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 14 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 8 | 0 |
| Liabilities sold | 1 | 0 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## 1 Summary of significant accounting policies

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Credit Suisse Annual Report 2013.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 4Q13 consolidated statements of operations and comprehensive income, the 1Q13 consolidated balance sheets and the 4Q13 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for a description of accounting standards adopted in 2013.

#### ASC Topic 210 – Balance Sheet

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Accounting Standards Codification (ASC) Topic 210 – Balance Sheet. The amendments in ASU 2011-11 require an entity to prepare additional disclosures about offsetting and related arrangements. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 20 – Offsetting of financial assets and financial liabilities" for further information.

#### ASC Topic 220 – Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 19 – Accumulated other comprehensive income and additional share information" for further information.

#### ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for interim and annual reporting periods beginning after December 15, 2013 with early adoption permitted. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

#### ASC Topic 946 – Financial Services – Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08) an update to Topic 946 – Financial Services – Investment Companies. The amendments change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or cash flows.

### Standards to be adopted in future periods

**ASC Topic 205 – Presentation of Financial Statements**
**ASC Topic 360 – Property, Plant, and Equipment**

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" (ASU 2014-08), an update to Topic 205 – Presentation of Financial Statements and Topic 360 – Property, Plant, and Equipment. The amendments change the requirements for reporting discontinued operations and require additional disclosures about discontinued operations. ASU 2014-08 is effective for interim and annual reporting periods beginning after December 15, 2014 with early adoption permitted. The Group will evaluate the impact of adoption of ASU 2014-08 on the Group's financial position, results of operations and cash flows when any future discontinued operations or disposals are identified.

## 3 Business developments

### Business developments

‣ Refer to "Note 4 – Discontinued operations" for information on business divestitures in 1Q14.

In April 2014, the Group entered into an agreement with the current head of Credit Suisse Hedging-Griffo Asset Management pursuant to which he will be the controlling shareholder of a new firm, Verde Asset Management, and the Group will be a minority shareholder. The transaction is subject to customary closing conditions and the approval of the change of management to Verde Asset Management by shareholders of the relevant funds managed by Credit Suisse Hedging-Griffo. The transaction is expected to close by year-end 2014.

## 4 Discontinued operations

In December 2013, the Group announced the sale of its domestic private banking business booked in Germany (German private banking business) to ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of the end of 1Q14, the German private banking business had total assets and liabilities of CHF 749 million and CHF 781 million, respectively, that were held-for-sale. ABN AMRO is a company unrelated to the Group.

In January 2014, the Group completed the sale of CFIG, its private equity fund of funds and co-investment business, to Grosvenor Capital Management and recognized a pre-tax gain on disposal of CHF 91 million in 1Q14 net of allocated goodwill of CHF 23 million. As of the end of 4Q13, CFIG had total assets of CHF 31 million that were held-for-sale. The Group will continue to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In March 2014, the Group completed the spin-off of DLJ Merchant Banking Partners, the Group's mid-market leveraged buyout business, for no consideration to aPriori Capital Partners L.P., an independent advisory firm established and controlled by members of the business' management. The transaction was completed with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for 1Q14 and prior periods have not been restated. The Group will retain certain carried interest rights. aPriori Capital Partners L.P. is a company unrelated to the Group.

‣ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Assets held-for-sale

| end of | **1Q14** | 4Q13 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Cash | 234 | 960 |
| Loans | 507 | 575 |
| Other assets | 8 | 18 |
| **Total assets held-for-sale** | **749** | **1,553** |
| **CFIG (CHF million)** | | |
| Fees receivable | – | 8 |
| Goodwill | – | 23 |
| **Total assets held-for-sale** | **–** | **31** |
| **Group (CHF million)** | | |
| **Total assets held-for-sale** | **749** | **1,584** |

### Liabilities held-for-sale

| end of | **1Q14** | 4Q13 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Deposits | 740 | 1,118 |
| Other liabilities | 41 | 22 |
| **Total liabilities held-for-sale** | **781** | **1,140** |
| **Group (CHF million)** | | |
| **Total liabilities held-for-sale** | **781** | **1,140** |

For the operations discontinued in 2013 and 1Q14, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

**Income/(loss) from discontinued operations**

| in | **1Q14** | 4Q13 | 1Q13 |
|---|---|---|---|
| **Operations-related (CHF million)** | | | |
| **Net revenues** | **12** | **48** | **74** |
| of which German private banking business | 8 | 14 | 14 |
| of which ETF business | – | – | 14 |
| of which Strategic Partners | – | – | 14 |
| of which CFIG | 0 | 33 | 30 |
| Operating expenses | 16 | 28 | 52 |
| of which German private banking business | 14 | 18 | 18 |
| of which ETF business | – | – | 10 |
| of which Strategic Partners | – | – | 6 |
| of which CFIG | 0 | 10 | 16 |
| Income tax expense/(benefit) | 1 | 7 | 13 |
| of which German private banking business | 0 | (2) | (1) |
| of which ETF business | – | – | 2 |
| of which Strategic Partners | – | – | 4 |
| of which CFIG | 0 | 9 | 8 |
| **Income/(loss), net of tax** | **(5)** | **13** | **9** |
| of which German private banking business | (6) | (2) | (3) |
| of which ETF business | – | – | 2 |
| of which Strategic Partners | – | – | 4 |
| of which CFIG | 0 | 14 | 6 |
| **Transaction-related (CHF million)** | | | |
| **Gain on disposal** | **91** | **–** | **–** |
| of which CFIG | 91 | – | – |
| Transaction-related expenses | 32 | 25 | 5 |
| of which German private banking business | 26 | – | – |
| of which ETF business | – | – | 3 |
| of which CFIG | 0 | 21 | 2 |
| Income tax expense/(benefit) | 39 | (10) | (2) |
| of which ETF business | – | – | (1) |
| of which CFIG | 42 | (9) | (1) |
| **Income/(loss), net of tax** | **20** | **(15)** | **(3)** |
| of which German private banking business | (26) | – | – |
| of which ETF business | – | – | (2) |
| of which CFIG | 49 | (12) | (1) |
| **Discontinued operations – total (CHF million)** | | | |
| **Income/(loss) from discontinued operations, net of tax** | **15** | **(2)** | **6** |
| of which German private banking business | (32) | (2) | (3) |
| of which ETF business | – | – | 0 |
| of which Strategic Partners | – | – | 4 |
| of which CFIG | 49 | 2 | 5 |

## 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on segment information, revenue sharing and cost allocation, funding and taxes.

### Net revenues and income before taxes

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Private Banking & Wealth Management | 3,240 | 3,429 | 3,278 |
| Investment Banking | 3,416 | 2,668 | 3,945 |
| Corporate Center | (187) | (177) | (205) |
| Noncontrolling interests without SEI | 360 | 219 | 71 |
| **Net revenues** | **6,829** | **6,139** | **7,089** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Private Banking & Wealth Management | 1,012 | 424 | 881 |
| Investment Banking | 827 | (564) | 1,300 |
| Corporate Center | (439) | (389) | (376) |
| Noncontrolling interests without SEI | 343 | 196 | 69 |
| **Income/(loss) from continuing operations before taxes** | **1,743** | **(333)** | **1,874** |

### Total assets

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Total assets (CHF million)** | | | |
| Private Banking & Wealth Management | 285,188 | 279,139 | 284,588 |
| Investment Banking | 503,883 | 502,799 | 582,272 |
| Corporate Center | 87,728 | 87,244 | 75,339 |
| Noncontrolling interests without SEI | 1,291 | 3,624 | 4,419 |
| **Total assets** | **878,090** | **872,806** | **946,618** |

## 6 Net interest income

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 1,226 | 1,221 | 1,188 |
| Investment securities | 11 | 10 | 12 |
| Trading assets | 2,168 | 1,814 | 2,425 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 561 | 556 | 671 |
| Other | 479 | 472 | 526 |
| Interest and dividend income | 4,445 | 4,073 | 4,822 |
| Deposits | (236) | (225) | (258) |
| Short-term borrowings | (22) | (17) | (80) |
| Trading liabilities | (761) | (915) | (1,243) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (261) | (212) | (336) |
| Long-term debt | (927) | (895) | (1,044) |
| Other | (60) | (62) | (55) |
| Interest expense | (2,267) | (2,326) | (3,016) |
| **Net interest income** | **2,178** | **1,747** | **1,806** |

## 7 Commissions and fees

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 434 | 460 | 441 |
| Investment and portfolio management | 934 | 1,119 | 904 |
| Other securities business | 23 | 25 | 28 |
| Fiduciary business | 957 | 1,144 | 932 |
| Underwriting | 460 | 446 | 419 |
| Brokerage | 973 | 860 | 1,045 |
| Underwriting and brokerage | 1,433 | 1,306 | 1,464 |
| Other services | 451 | 515 | 411 |
| **Commissions and fees** | **3,275** | **3,425** | **3,248** |

## 8 Trading revenues

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 1,250 | (2) | 1,697 |
| Foreign exchange products | (1,014) | 298 | 384 |
| Equity/index-related products | 176 | 534 | (82) |
| Credit products | 40 | (538) | (360) |
| Commodity, emission and energy products | 63 | 71 | 43 |
| Other products | 123 | (68) | 133 |
| **Trading revenues** | **638** | **295** | **1,815** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on trading revenues and managing trading risks.

## 9 Other revenues

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without SEI | 358 | 211 | 64 |
| Loans held-for-sale | 1 | (1) | (5) |
| Long-lived assets held-for-sale | 28 | 45 | (15) |
| Equity method investments | 61 | 147 | 36 |
| Other investments | 110 | 144 | 57 |
| Other | 180 | 126 | 83 |
| **Other revenues** | **738** | **672** | **220** |

## 10 Provision for credit losses

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 30 | 54 | 20 |
| Provision for lending-related and other exposures | 4 | (1) | 2 |
| **Provision for credit losses** | **34** | **53** | **22** |

## 11 Compensation and benefits

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 2,653 | 2,422 | 2,582 |
| Social security | 188 | 175 | 222 |
| Other [1] | 152 | 210 | 187 |
| **Compensation and benefits [2]** | **2,993** | **2,807** | **2,991** |

[1] Includes pension and other post-retirement expense of CHF 84 million, CHF 134 million and CHF 110 million in 1Q14, 4Q13 and 1Q13, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 24 million, CHF 52 million and CHF 67 million as of 1Q14, 4Q13 and 1Q13, respectively.

## 12 General and administrative expenses

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 273 | 327 | 288 |
| IT, machinery, etc. | 341 | 390 | 384 |
| Provisions and losses | 111 | 1,483 | 170 |
| Travel and entertainment | 81 | 92 | 89 |
| Professional services | 526 | 577 | 447 |
| Goodwill impairment | 0 | 12 | 0 |
| Amortization and impairment of other intangible assets | 5 | 6 | 6 |
| Other | 353 | 336 | 348 |
| **General and administrative expenses** | **1,690** | **3,223** | **1,732** |

## 13 Earnings per share

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Income/(loss) from continuing operations** | **844** | **(474)** | **1,297** |
| Income/(loss) from discontinued operations, net of tax | 15 | (2) | 6 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** |
| Preferred securities dividends | (28) | (122) | – |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **831** | **(598)** | **1,303** |
| Available for common shares | 785 | (598) | 1,033 |
| Available for unvested share-based payment awards | 46 | 0 | 93 |
| Available for mandatory convertible securities [1] | – | – | 177 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **831** | **(598)** | **1,303** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | (5) |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **831** | **(598)** | **1,298** |
| Available for common shares | 785 | (598) | 1,033 |
| Available for unvested share-based payment awards | 46 | 0 | 92 |
| Available for mandatory convertible securities [1] | – | – | 173 |
| **Weighted-average shares outstanding (million)** | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,621.2** | **1,601.9** | **1,354.6** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 24.9 |
| Dilutive share options and warrants | 1.4 | 0.0 | 2.0 |
| Dilutive share awards | 5.2 | 0.0 | 1.8 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,627.8** | **1,601.9 [5]** | **1,383.3** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **95.5** | **122.0** | **122.6** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **231.8** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 |
| Basic earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Basic earnings/(loss) per share available for common shares** | **0.48** | **(0.37)** | **0.76** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 |
| Diluted earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share available for common shares** | **0.48** | **(0.37)** | **0.75** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding that arose from the 2Q13 stock dividend, as required under US GAAP.

1 Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

2 Reflects changes in the fair value of the PAF2 units which are reflected in the net results of the Group until the awards are finally settled. Fair value of the PAF2 units which are reflected in the net results of the Group are not adjusted for 4Q13, as the effect would be antidilutive. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

3 Reflects weighted-average shares outstanding on PAF2 units. Weighted-average shares on PAF2 units for 4Q13 were excluded from the diluted earnings per share calculation, as the effect would be antidilutive. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

4 Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 9.1 million, 36.0 million and 13.7 million for 1Q14, 4Q13 and 1Q13, respectively.

5 Due to the net loss in 4Q13, 1.7 million weighted-average share options and warrants outstanding and 0.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## 14 Trading assets and liabilities

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Trading assets (CHF million)** | | | |
| Debt securities | 112,678 | 110,116 | 132,709 |
| Equity securities [1] | 83,044 | 76,695 | 85,087 |
| Derivative instruments [2] | 30,538 | 31,603 | 33,312 |
| Other | 10,809 | 10,999 | 13,093 |
| **Trading assets** | **237,069** | **229,413** | **264,201** |
| **Trading liabilities (CHF million)** | | | |
| Short positions | 40,647 | 40,161 | 52,348 |
| Derivative instruments [2] | 32,382 | 36,474 | 39,142 |
| **Trading liabilities** | **73,029** | **76,635** | **91,490** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | | |
| Cash collateral paid | 24,735 | 23,870 | 35,137 |
| Cash collateral received | 19,425 | 20,500 | 31,626 |
| **Cash collateral – not netted (CHF million)** [2] | | | |
| Cash collateral paid | 7,058 | 8,359 | 12,030 |
| Cash collateral received | 11,984 | 11,663 | 13,399 |

[1] Recorded as cash collateral netting on derivative instruments in Note 20 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 17 – Other assets and other liabilities.

## 15 Investment securities

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Investment securities (CHF million)** | | | |
| Securities available-for-sale | 3,320 | 2,987 | 3,428 |
| **Total investment securities** | **3,320** | **2,987** | **3,428** |

### Investment securities by type

| | | | | 1Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 372 | 19 | 1 | 390 | 389 | 15 | 2 | 402 |
| Debt securities issued by foreign governments | 1,762 | 42 | 0 | 1,804 | 1,350 | 39 | 1 | 1,388 |
| Corporate debt securities | 569 | 15 | 0 | 584 | 590 | 16 | 0 | 606 |
| Collateralized debt obligations | 426 | 14 | 0 | 440 | 480 | 11 | 1 | 490 |
| Debt securities available-for-sale | 3,129 | 90 | 1 | 3,218 | 2,809 | 81 | 4 | 2,886 |
| Banks, trust and insurance companies | 74 | 20 | 0 | 94 | 74 | 18 | 0 | 92 |
| Industry and all other | 8 | 0 | 0 | 8 | 9 | 0 | 0 | 9 |
| Equity securities available-for-sale | 82 | 20 | 0 | 102 | 83 | 18 | 0 | 101 |
| **Securities available-for-sale** | **3,211** | **110** | **1** | **3,320** | **2,892** | **99** | **4** | **2,987** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | **Total** | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **1Q14 (CHF million)** | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 0 | 0 | 26 | 1 | 26 | 1 |
| **Debt securities available-for-sale** | **0** | **0** | **26** | **1** | **26** | **1** |
| **4Q13 (CHF million)** | | | | | | |
| Debt securities issued by foreign governments | 168 | 2 | 0 | 0 | 168 | 2 |
| Corporate debt securities | 109 | 1 | 0 | 0 | 109 | 1 |
| Collateralized debt obligation | 10 | 1 | 0 | 0 | 10 | 1 |
| **Debt securities available-for-sale** | **287** | **4** | **0** | **0** | **287** | **4** |

Management determined that the unrealized losses on debt securities are primarily attributable to general market interest rate, credit spread or exchange rate movements. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | | 1Q14 | | 1Q13 |
|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 23 | 4 | 4 | 7 |

### Amortized cost, fair value and average yield of debt securities

| | | | Debt securities available-for-sale |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **1Q14 (CHF million)** | | | |
| Due within 1 year | 501 | 504 | 1.48 |
| Due from 1 to 5 years | 1,683 | 1,744 | 2.43 |
| Due from 5 to 10 years | 866 | 890 | 2.16 |
| Due after 10 years | 79 | 80 | 1.34 |
| **Total debt securities** | **3,129** | **3,218** | **2.18** |

## 16 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on loans, allowance for loan losses, credit quality and impaired loans.

### Loans

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Loans (CHF million)** | | | |
| Mortgages | 95,700 | 94,978 | 92,703 |
| Loans collateralized by securities | 34,253 | 31,565 | 29,251 |
| Consumer finance | 5,783 | 5,938 | 7,461 |
| Consumer | 135,736 | 132,481 | 129,415 |
| Real estate [1] | 27,320 | 27,312 | 25,777 |
| Commercial and industrial loans [1] | 65,760 | 63,334 | 65,128 |
| Financial institutions [1] | 19,472 | 21,840 | 25,403 |
| Governments and public institutions [1] | 3,341 | 3,047 | 4,272 |
| Corporate & institutional | 115,893 | 115,533 | 120,580 |
| **Gross loans** | **251,629** | **248,014** | **249,995** |
| of which held at amortized cost | 231,649 | 228,557 | 227,343 |
| of which held at fair value | 19,980 | 19,457 | 22,652 |
| Net (unearned income)/deferred expenses | (104) | (91) | (84) |
| Allowance for loan losses | (866) | (869) | (916) |
| **Net loans** | **250,659** | **247,054** | **248,995** |
| **Gross loans by location (CHF million)** | | | |
| Switzerland | 153,766 | 151,992 | 151,362 |
| Foreign | 97,863 | 96,022 | 98,633 |
| **Gross loans** | **251,629** | **248,014** | **249,995** |
| **Impaired loan portfolio (CHF million)** | | | |
| Non-performing loans | 845 | 862 | 929 |
| Non-interest-earning loans | 283 | 281 | 324 |
| Total non-performing and non-interest-earning loans | 1,128 | 1,143 | 1,253 |
| Restructured loans | 0 | 6 | 20 |
| Potential problem loans | 371 | 340 | 508 |
| Total other impaired loans | 371 | 346 | 528 |
| **Gross impaired loans** | **1,499** | **1,489** | **1,781** |

[1] Prior periods have been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

### Allowance for loan losses by loan portfolio

| | | | 1Q14 | | | 4Q13 | | | 1Q13 |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **267** | **602** | **869** | **271** | **600** | **871** | **288** | **634** | **922** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net movements recognized in statements of operations | 17 | 13 | 30 | 19 | 35 | 54 | 21 | (1) | 20 |
| Gross write-offs | (26) | (20) | (46) | (28) | (32) | (60) | (33) | (21) | (54) |
| Recoveries | 5 | 5 | 10 | 6 | 0 | 6 | 5 | 2 | 7 |
| Net write-offs | (21) | (15) | (36) | (22) | (32) | (54) | (28) | (19) | (47) |
| Provisions for interest | 1 | 4 | 5 | 1 | 5 | 6 | 2 | 5 | 7 |
| Foreign currency translation impact and other adjustments, net | (1) | (1) | (2) | (2) | (6) | (8) | 2 | 12 | 14 |
| **Balance at end of period** | **263** | **603** | **866** | **267** | **602** | **869** | **285** | **631** | **916** |
| of which individually evaluated for impairment | 213 | 440 | 653 | 217 | 437 | 654 | 232 | 457 | 689 |
| of which collectively evaluated for impairment | 50 | 163 | 213 | 50 | 165 | 215 | 53 | 174 | 227 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **135,725** | **95,924** | **231,649** | **132,470** | **96,087** | **228,557** | **129,405** | **97,938** | **227,343** |
| of which individually evaluated for impairment [1] | 560 | 939 | 1,499 | 569 | 920 | 1,489 | 646 | 1,135 | 1,781 |
| of which collectively evaluated for impairment | 135,165 | 94,985 | 230,150 | 131,901 | 95,167 | 227,068 | 128,759 | 96,803 | 225,562 |

[1] Represents gross impaired loans both with and without a specific allowance.

### Purchases, reclassifications and sales

| | | | 1Q14 | | | 4Q13 | | | 1Q13 |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 11 | 423 | 434 | 0 | 817 | 817 | 0 | 1,692 | 1,692 |
| Reclassifications from loans held-for-sale [2] | 0 | 23 | 23 | 0 | 80 | 80 | 0 | 44 | 44 |
| Reclassifications to loans held-for-sale [3] | 0 | 76 | 76 | 0 | 503 | 503 | 0 | 176 | 176 |
| Sales [3] | 0 | 53 | 53 | 0 | 424 | 424 | 0 | 117 | 117 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

**Credit quality of loans held at amortized cost**

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses internal risk ratings as credit quality indicators.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

▸ Refer to "Credit quality of loans held at amortized cost" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on internal ratings and the scope of the credit quality disclosures.

### Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1Q14 (CHF million)** | | | | | | | | | | | |
| Mortgages | 319 | 2,246 | 17,772 | 57,714 | 16,561 | 850 | 24 | 3 | 0 | 211 | 95,700 |
| Loans collateralized by securities | 1,104 | 453 | 4,316 | 26,007 | 2,162 | 111 | 4 | 7 | 0 | 89 | 34,253 |
| Consumer finance | 205 | 18 | 105 | 2,193 | 2,047 | 778 | 53 | 0 | 133 | 240 | 5,772 |
| Consumer | 1,628 | 2,717 | 22,193 | 85,914 | 20,770 | 1,739 | 81 | 10 | 133 | 540 | 135,725 |
| Real estate | 795 | 1,513 | 3,117 | 14,087 | 6,704 | 344 | 0 | 0 | 0 | 104 | 26,664 |
| Commercial and industrial loans | 258 | 981 | 2,275 | 21,897 | 23,862 | 3,100 | 198 | 19 | 9 | 698 | 53,297 |
| Financial institutions | 823 | 1,741 | 3,343 | 5,313 | 2,635 | 399 | 112 | 18 | 0 | 99 | 14,483 |
| Governments and public institutions | 69 | 339 | 183 | 481 | 123 | 63 | 222 | 0 | 0 | 0 | 1,480 |
| Corporate & institutional | 1,945 | 4,574 | 8,918 | 41,778 | 33,324 | 3,906 | 532 | 37 | 9 | 901 | 95,924 |
| **Gross loans held at amortized cost** | **3,573** | **7,291** | **31,111** | **127,692** | **54,094** | **5,645** | **613** | **47** | **142** | **1,441** | **231,649** |
| Value of collateral [1] | 2,641 | 5,830 | 27,581 | 119,727 | 45,448 | 3,311 | 87 | 36 | 11 | 671 | 205,343 |
| **4Q13 (CHF million)** | | | | | | | | | | | |
| Mortgages | 302 | 2,257 | 17,398 | 57,033 | 16,857 | 883 | 39 | 0 | 0 | 209 | 94,978 |
| Loans collateralized by securities | 182 | 349 | 4,214 | 24,497 | 2,131 | 90 | 2 | 6 | 0 | 94 | 31,565 |
| Consumer finance | 0 | 14 | 226 | 2,501 | 1,952 | 824 | 43 | 0 | 119 | 248 | 5,927 |
| Consumer | 484 | 2,620 | 21,838 | 84,031 | 20,940 | 1,797 | 84 | 6 | 119 | 551 | 132,470 |
| Real estate | 1,344 | 1,050 | 3,511 | 13,669 | 6,897 | 322 | 0 | 1 | 0 | 72 | 26,866 |
| Commercial and industrial loans | 183 | 740 | 1,901 | 21,232 | 23,131 | 3,621 | 232 | 6 | 6 | 671 | 51,723 |
| Financial institutions | 1,319 | 1,706 | 4,041 | 5,625 | 2,440 | 776 | 14 | 1 | 0 | 112 | 16,034 |
| Governments and public institutions | 78 | 324 | 178 | 440 | 148 | 73 | 223 | 0 | 0 | 0 | 1,464 |
| Corporate & institutional | 2,924 | 3,820 | 9,631 | 40,966 | 32,616 | 4,792 | 469 | 8 | 6 | 855 | 96,087 |
| **Gross loans held at amortized cost** | **3,408** | **6,440** | **31,469** | **124,997** | **53,556** | **6,589** | **553** | **14** | **125** | **1,406** | **228,557** |
| Value of collateral [1] | 2,553 | 5,046 | 28,186 | 116,971 | 45,376 | 3,372 | 102 | 1 | 10 | 616 | 202,233 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.

#### Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

## Gross loans held at amortized cost – aging analysis

| | Current | | | | | Past due | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **1Q14 (CHF million)** | | | | | | | |
| Mortgages | 95,357 | 118 | 24 | 32 | 169 | 343 | 95,700 |
| Loans collateralized by securities | 33,995 | 156 | 9 | 4 | 89 | 258 | 34,253 |
| Consumer finance | 4,883 | 554 | 89 | 65 | 181 | 889 | 5,772 |
| Consumer | 134,235 | 828 | 122 | 101 | 439 | 1,490 | 135,725 |
| Real estate | 26,527 | 28 | 5 | 18 | 86 | 137 | 26,664 |
| Commercial and industrial loans | 51,975 | 876 | 46 | 32 | 368 | 1,322 | 53,297 |
| Financial institutions | 14,169 | 220 | 1 | 3 | 90 | 314 | 14,483 |
| Governments and public institutions | 1,478 | 2 | 0 | 0 | 0 | 2 | 1,480 |
| Corporate & institutional | 94,149 | 1,126 | 52 | 53 | 544 | 1,775 | 95,924 |
| **Gross loans held at amortized cost** | **228,384** | **1,954** | **174** | **154** | **983** | **3,265** | **231,649** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 94,657 | 103 | 26 | 25 | 167 | 321 | 94,978 |
| Loans collateralized by securities | 31,365 | 95 | 2 | 12 | 91 | 200 | 31,565 |
| Consumer finance | 5,218 | 377 | 93 | 55 | 184 | 709 | 5,927 |
| Consumer | 131,240 | 575 | 121 | 92 | 442 | 1,230 | 132,470 |
| Real estate | 26,774 | 19 | 2 | 2 | 69 | 92 | 26,866 |
| Commercial and industrial loans | 50,879 | 343 | 77 | 74 | 350 | 844 | 51,723 |
| Financial institutions | 15,841 | 87 | 2 | 1 | 103 | 193 | 16,034 |
| Governments and public institutions | 1,459 | 5 | 0 | 0 | 0 | 5 | 1,464 |
| Corporate & institutional | 94,953 | 454 | 81 | 77 | 522 | 1,134 | 96,087 |
| **Gross loans held at amortized cost** | **226,193** | **1,029** | **202** | **169** | **964** | **2,364** | **228,557** |

## Impaired loans

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2013 for further information on impaired loan categories and allowance for specifically identified credit losses on impaired loans.

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **1Q14 (CHF million)** | | | | | | | |
| Mortgages | 173 | 16 | 189 | 0 | 39 | 39 | 228 |
| Loans collateralized by securities | 19 | 70 | 89 | 0 | 1 | 1 | 90 |
| Consumer finance | 236 | 5 | 241 | 0 | 1 | 1 | 242 |
| Consumer | 428 | 91 | 519 | 0 | 41 | 41 | 560 |
| Real estate | 66 | 13 | 79 | 0 | 26 | 26 | 105 |
| Commercial and industrial loans | 292 | 147 | 439 | 0 | 276 | 276 | 715 |
| Financial institutions | 59 | 32 | 91 | 0 | 28 | 28 | 119 |
| Corporate & institutional | 417 | 192 | 609 | 0 | 330 | 330 | 939 |
| **Gross impaired loans** | **845** | **283** | **1,128** | **0** | **371** | **371** | **1,499** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 167 | 13 | 180 | 0 | 45 | 45 | 225 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 4 | 4 | 95 |
| Consumer finance | 244 | 5 | 249 | 0 | 0 | 0 | 249 |
| Consumer | 431 | 89 | 520 | 0 | 49 | 49 | 569 |
| Real estate | 53 | 15 | 68 | 0 | 5 | 5 | 73 |
| Commercial and industrial loans | 307 | 144 | 451 | 6 | 258 | 264 | 715 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 431 | 192 | 623 | 6 | 291 | 297 | 920 |
| **Gross impaired loans** | **862** | **281** | **1,143** | **6** | **340** | **346** | **1,489** |

## Gross impaired loan detail

| | | | 1Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 206 | 195 | 29 | 207 | 197 | 28 |
| Loans collateralized by securities | 66 | 62 | 52 | 67 | 63 | 55 |
| Consumer finance | 224 | 205 | 132 | 231 | 211 | 134 |
| Consumer | 496 | 462 | 213 | 505 | 471 | 217 |
| Real estate | 82 | 76 | 14 | 71 | 65 | 15 |
| Commercial and industrial loans | 704 | 653 | 357 | 705 | 656 | 340 |
| Financial institutions | 119 | 114 | 69 | 131 | 127 | 82 |
| Corporate & institutional | 905 | 843 | 440 | 907 | 848 | 437 |
| **Gross impaired loans with a specific allowance** | **1,401** | **1,305** | **653** | **1,412** | **1,319** | **654** |
| Mortgages | 22 | 21 | – | 18 | 18 | – |
| Loans collateralized by securities | 24 | 24 | – | 28 | 28 | – |
| Consumer finance | 18 | 18 | – | 18 | 18 | – |
| Consumer | 64 | 63 | – | 64 | 64 | – |
| Real estate | 23 | 23 | – | 2 | 2 | – |
| Commercial and industrial loans | 11 | 11 | – | 10 | 10 | – |
| Financial institutions | 0 | 0 | – | 1 | 1 | – |
| Corporate & institutional | 34 | 34 | – | 13 | 13 | – |
| **Gross impaired loans without specific allowance** | **98** | **97** | **–** | **77** | **77** | **–** |
| **Gross impaired loans** | **1,499** | **1,402** | **653** | **1,489** | **1,396** | **654** |
| of which consumer | 560 | 525 | 213 | 569 | 535 | 217 |
| of which corporate & institutional | 939 | 877 | 440 | 920 | 861 | 437 |

## Gross impaired loan detail (continued)

| | | | 1Q14 | | | 4Q13 | | | 1Q13 |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 200 | 0 | 0 | 205 | 0 | 0 | 192 | 0 | 0 |
| Loans collateralized by securities | 65 | 0 | 0 | 68 | 2 | 2 | 69 | 0 | 0 |
| Consumer finance | 228 | 0 | 0 | 244 | 0 | 0 | 280 | 0 | 0 |
| Consumer | 493 | 0 | 0 | 517 | 2 | 2 | 541 | 0 | 0 |
| Real estate | 80 | 0 | 0 | 73 | 1 | 1 | 62 | 0 | 0 |
| Commercial and industrial loans | 698 | 0 | 0 | 682 | 1 | 1 | 753 | 3 | 3 |
| Financial institutions | 129 | 0 | 0 | 130 | 0 | 0 | 155 | 0 | 0 |
| Governments and public institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate & institutional | 907 | 0 | 0 | 885 | 2 | 2 | 970 | 3 | 3 |
| **Gross impaired loans with a specific allowance** | **1,400** | **0** | **0** | **1,402** | **4** | **4** | **1,511** | **3** | **3** |
| Mortgages | 20 | 0 | 0 | 22 | 0 | 0 | 38 | 0 | 0 |
| Loans collateralized by securities | 27 | 0 | 0 | 28 | 0 | 0 | 28 | 0 | 0 |
| Consumer finance | 18 | 0 | 0 | 18 | 0 | 0 | 37 | 0 | 0 |
| Consumer | 65 | 0 | 0 | 68 | 0 | 0 | 103 | 0 | 0 |
| Real estate | 6 | 0 | 0 | 15 | 0 | 0 | 3 | 0 | 0 |
| Commercial and industrial loans | 11 | 0 | 0 | 20 | 0 | 0 | 119 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 1 | 0 | 0 | 3 | 0 | 0 |
| Corporate & institutional | 17 | 0 | 0 | 36 | 0 | 0 | 125 | 0 | 0 |
| **Gross impaired loans without specific allowance** | **82** | **0** | **0** | **104** | **0** | **0** | **228** | **0** | **0** |
| **Gross impaired loans** | **1,482** | **0** | **0** | **1,506** | **4** | **4** | **1,739** | **3** | **3** |
| of which consumer | 558 | 0 | 0 | 585 | 2 | 2 | 644 | 0 | 0 |
| of which corporate & institutional | 924 | 0 | 0 | 921 | 2 | 2 | 1,095 | 3 | 3 |

## 17 Other assets and other liabilities

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Other assets (CHF million)** | | | |
| Cash collateral on derivative instruments | 7,058 | 8,359 | 12,030 |
| Cash collateral on non-derivative transactions | 1,541 | 1,412 | 1,672 |
| Derivative instruments used for hedging | 1,894 | 2,062 | 2,667 |
| Assets held-for-sale | 20,615 | 19,306 | 20,281 |
| of which loans | 20,223 | 18,914 | 19,772 |
| of which real estate | 392 | 392 | 508 |
| Assets held for separate accounts | 10,268 | 11,236 | 13,023 |
| Interest and fees receivable | 4,831 | 4,859 | 5,350 |
| Deferred tax assets | 5,683 | 6,185 | 6,968 |
| Prepaid expenses | 585 | 552 | 862 |
| Failed purchases | 2,542 | 2,365 | 2,997 |
| Other | 7,388 | 6,729 | 6,354 |
| **Other assets** | **62,405** | **63,065** | **72,204** |
| **Other liabilities (CHF million)** | | | |
| Cash collateral on derivative instruments | 11,984 | 11,663 | 13,399 |
| Cash collateral on non-derivative transactions | 754 | 955 | 1,660 |
| Derivative instruments used for hedging | 512 | 384 | 931 |
| Provisions [1] | 2,633 | 2,641 | 1,511 |
| of which off-balance sheet risk | 62 | 60 | 63 |
| Liabilities held for separate accounts | 10,268 | 11,236 | 13,023 |
| Interest and fees payable | 5,001 | 5,641 | 6,395 |
| Current tax liabilities | 841 | 864 | 886 |
| Deferred tax liabilities | 427 | 394 | 160 |
| Failed sales | 2,235 | 2,396 | 3,234 |
| Other | 14,113 | 15,273 | 15,671 |
| **Other liabilities** | **48,768** | **51,447** | **56,870** |

[1] Includes provisions for bridge commitments.

## 18 Long-term debt

### Long-term debt

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Long-term debt (CHF million)** | | | |
| Senior | 99,050 | 96,048 | 111,962 |
| Subordinated | 21,145 | 21,002 | 16,624 |
| Non-recourse liabilities from consolidated VIEs | 12,239 | 12,992 | 14,508 |
| **Long-term debt** | **132,434** | **130,042** | **143,094** |
| of which reported at fair value | 64,694 | 63,369 | 64,547 |
| of which structured notes | 38,427 | 34,815 | 34,936 |

### Structured notes by product

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 26,089 | 23,313 | 22,652 |
| Fixed income | 6,011 | 5,573 | 6,593 |
| Emerging markets [1] | 1,643 | 1,766 | 1,979 |
| Credit | 3,424 | 3,453 | 2,340 |
| Other | 1,260 | 710 | 1,372 |
| **Total structured notes** | **38,427** | **34,815** | **34,936** |

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

# 19 Accumulated other comprehensive income and additional share information

## Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income** |
|---|---|---|---|---|---|---|
| **1Q14 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| Increase/(decrease) | 12 | (248) | 8 | (3) | 0 | (231) |
| Increase/(decrease) due to equity method investments | 8 | 0 | 0 | 0 | 0 | 8 |
| Reclassification adjustments, included in net income | (3) | 0 | 0 | 38 | (20) | 15 |
| Total increase/(decrease) | 17 | (248) | 8 | 35 | (20) | (208) |
| **Balance at end of period** | **6** | **(13,922)** | **60** | **(2,722)** | **495** | **(16,083)** |
| **4Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(22)** | **(13,157)** | **63** | **(3,593)** | **530** | **(16,179)** |
| Increase/(decrease) | 8 | (515) | (6) | 738 | 0 | 225 |
| Increase/(decrease) due to equity method investments | 6 | 0 | 0 | 0 | 0 | 6 |
| Reclassification adjustments, included in net income | (3) | (2) | (5) | 98 | (15) | 73 |
| Total increase/(decrease) | 11 | (517) | (11) | 836 | (15) | 304 |
| **Balance at end of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| **1Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | 5 | 754 | (7) | 6 | 0 | 758 |
| Increase/(decrease) due to equity method investments | (3) | 0 | 0 | 0 | 0 | (3) |
| Reclassification adjustments, included in net income | 0 | 46 | 0 | 64 | (27) | 83 |
| Total increase/(decrease) | 2 | 800 | (7) | 70 | (27) | 838 |
| **Balance at end of period** | **(27)** | **(11,967)** | **77** | **(3,731)** | **583** | **(15,065)** |

## Details on significant reclassification adjustments

| in | **1Q14** | 4Q13 | 1Q13 |
|---|---|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | | | |
| **Cumulative translation adjustments** | | | |
| Sale of subsidiaries [1] | **0** | **(2)** | **46** |
| **Actuarial gains/(losses)** | | | |
| Amortization of recognized actuarial losses [2] | 50 | 129 | 86 |
| Tax expense/(benefit) | (12) | (31) | (22) |
| **Net of tax** | **38** | **98** | **64** |
| **Net prior service credit/(cost)** | | | |
| Amortization of recognized prior service credit/(cost) [2] | (25) | (19) | (34) |
| Tax expense/(benefit) | 5 | 4 | 7 |
| **Net of tax** | **(20)** | **(15)** | **(27)** |

[1] Includes net releases of CHF 46 million in 1Q13 on the sale of JO Hambro. Upon settlement in 3Q13, further net releases of CHF 38 million were recognized. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.
[2] These components are included in the computation of total benefit costs. Refer to "Note 23 – Pension and other post-retirement benefits" for further information.

### Additional share information

| | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Common shares issued** | | | |
| **Balance at beginning of period** | **1,596,119,349** | **1,595,433,898** | **1,320,829,922** |
| Issuance of common shares | 0 | 685,451 | 18,822,723 |
| of which share-based compensation | 0 | 685,451 | 18,822,723 |
| **Balance at end of period** | **1,596,119,349** | **1,596,119,349** | **1,339,652,645** |
| **Treasury shares** | | | |
| **Balance at beginning of period** | **(5,183,154)** | **(3,032,833)** | **(27,036,831)** |
| Sale of treasury shares | 67,970,125 | 104,952,416 | 85,932,507 |
| Repurchase of treasury shares | (72,306,505) | (107,185,940) | (90,504,926) |
| Share-based compensation | 653,410 | 83,203 | 4,113,937 |
| **Balance at end of period** | **(8,866,124)** | **(5,183,154)** | **(27,495,313)** |
| **Common shares outstanding** | | | |
| **Balance at end of period** | **1,587,253,225** [1] | **1,590,936,195** [2] | **1,312,157,332** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,049,598 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,049,598 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 752,676,931 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 732,326,910 of these shares were reserved for capital instruments (including MACCS).

## 20 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:
- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

### Derivatives

The Group transacts bilateral OTC derivatives mainly under ISDA Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| | 1Q14 | | 4Q13 | |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 217.0 | 213.1 | 265.4 | 262.1 |
| OTC | 180.6 | 176.1 | 183.0 | 178.1 |
| Exchange-traded | 0.1 | 0.1 | 0.3 | 0.0 |
| **Interest rate products** | **397.7** | **389.3** | **448.7** | **440.2** |
| OTC | 49.1 | 60.0 | 58.5 | 68.2 |
| Exchange-traded | 0.2 | 0.1 | 0.1 | 0.2 |
| **Foreign exchange products** | **49.3** | **60.1** | **58.6** | **68.4** |
| OTC | 14.0 | 16.1 | 15.5 | 18.6 |
| Exchange-traded | 14.8 | 15.3 | 14.8 | 15.1 |
| **Equity/index-related products** | **28.8** | **31.4** | **30.3** | **33.7** |
| OTC-cleared | 5.8 | 5.6 | 5.2 | 5.1 |
| OTC | 19.4 | 20.0 | 20.8 | 21.2 |
| **Credit derivatives** | **25.2** | **25.6** | **26.0** | **26.3** |
| OTC | 3.7 | 3.1 | 4.4 | 4.0 |
| Exchange-traded | 0.6 | 0.6 | 0.5 | 0.8 |
| **Other products** | **4.3** | **3.7** | **4.9** | **4.8** |
| OTC-cleared | 222.8 | 218.7 | 270.6 | 267.2 |
| OTC | 266.8 | 275.3 | 282.2 | 290.1 |
| Exchange-traded | 15.7 | 16.1 | 15.7 | 16.1 |
| **Total gross derivatives subject to enforceable master netting agreements** | **505.3** | **510.1** | **568.5** | **573.4** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (221.2) | (218.5) | (269.1) | (267.0) |
| OTC | (246.5) | (253.7) | (260.7) | (265.7) |
| Exchange-traded | (15.0) | (15.5) | (15.1) | (15.1) |
| **Offsetting** | **(482.7)** | **(487.7)** | **(544.9)** | **(547.8)** |
| of which counterparty netting | (462.9) | (462.9) | (523.9) | (523.9) |
| of which cash collateral netting | (19.8) | (24.8) | (21.0) | (23.9) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 1.6 | 0.2 | 1.5 | 0.2 |
| OTC | 20.3 | 21.6 | 21.5 | 24.4 |
| Exchange-traded | 0.7 | 0.6 | 0.6 | 1.0 |
| **Total net derivatives subject to enforceable master netting agreements** | **22.6** | **22.4** | **23.6** | **25.6** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **9.8** | **10.5** | **10.1** | **11.3** |
| **Total net derivatives presented in the consolidated balance sheets** | **32.4** | **32.9** | **33.7** | **36.9** |
| of which recorded in trading assets and trading liabilities | 30.5 | 32.4 | 31.6 | 36.5 |
| of which recorded in other assets and other liabilities | 1.9 | 0.5 | 2.1 | 0.4 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of March 31, 2014 and December 31, 2013. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| | | | 1Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 115.7 | (36.9) | 78.8 | 112.0 | (25.1) | 86.9 |
| Securities borrowing transactions | 27.4 | (1.4) | 26.0 | 22.7 | (1.7) | 21.0 |
| **Total subject to enforceable master netting agreements** | **143.1** | **(38.3)** | **104.8** | **134.7** | **(26.8)** | **107.9** |
| **Total not subject to enforceable master netting agreements** [1] | **58.1** | **–** | **58.1** | **52.1** | **–** | **52.1** |
| **Total** | **201.2** | **(38.3)** | **162.9** [2] | **186.8** | **(26.8)** | **160.0** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 88,081 million and CHF 96,587 million of the total net amount as of the end of 1Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 1Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 90.5 | (38.3) | 52.2 | 86.5 | (26.8) | 59.7 |
| Securities lending transactions | 9.7 | 0.0 | 9.7 | 6.6 | 0.0 | 6.6 |
| Obligation to return securities received as collateral, at fair value | 17.0 | 0.0 | 17.0 | 18.5 | 0.0 | 18.5 |
| **Total subject to enforceable master netting agreements** | **117.2** | **(38.3)** | **78.9** | **111.6** | **(26.8)** | **84.8** |
| **Total not subject to enforceable master netting agreements** [1] | **32.8** | **–** | **32.8** | **32.0** | **–** | **32.0** |
| **Total** | **150.0** | **(38.3)** | **111.7** | **143.6** | **(26.8)** | **116.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 127.0 | (38.3) | 88.7 [2] | 120.8 | (26.8) | 94.0 [2] |
| of which obligation to return securities received as collateral, at fair value | 23.0 | 0.0 | 23.0 | 22.8 | 0.0 | 22.8 |

1 Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
2 CHF 70,824 million and CHF 76,104 million of the total net amount as of the end of 1Q14 and 4Q13, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

## Amounts not offset in the consolidated balance sheets

| | | | | 1Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 22.6 | 4.7 | 0.0 | 17.9 | 23.6 | 4.9 | 0.1 | 18.6 |
| Securities purchased under resale agreements | 78.8 | 78.8 | 0.0 | 0.0 | 86.9 | 86.9 | 0.0 | 0.0 |
| Securities borrowing transactions | 26.0 | 25.4 | 0.0 | 0.6 | 21.0 | 20.2 | 0.0 | 0.8 |
| **Total financial assets subject to enforceable master netting agreements** | **127.4** | **108.9** | **0.0** | **18.5** | **131.5** | **112.0** | **0.1** | **19.4** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 22.4 | 9.2 | 0.0 | 13.2 | 25.6 | 9.9 | 0.0 | 15.7 |
| Securities sold under repurchase agreements | 52.2 | 52.2 | 0.0 | 0.0 | 59.7 | 59.7 | 0.0 | 0.0 |
| Securities lending transactions | 9.7 | 8.3 | 0.0 | 1.4 | 6.6 | 6.2 | 0.0 | 0.4 |
| Obligation to return securities received as collateral, at fair value | 17.0 | 16.5 | 0.0 | 0.5 | 18.5 | 17.5 | 0.0 | 1.0 |
| **Total financial liabilities subject to enforceable master netting agreements** | **101.3** | **86.2** | **0.0** | **15.1** | **110.4** | **93.3** | **0.0** | **17.1** |

1 The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative for the Group's counterparty exposure.

## 21 Tax

The income tax expense of CHF 543 million recorded in 1Q14 included the impact of the geographical mix of results and an income tax expense of CHF 151 million from a change in the New York state tax laws enacted in 1Q14 which resulted in a decrease of related deferred tax assets.

The presentation of net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities is in accordance with ASC Topic 740 – Income Taxes guidance to interim reporting. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of March 31, 2014, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 6.4 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 72 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2010; Brazil – 2008; Japan – 2008; the UK – 2006; the US – 2006; and the Netherlands – 2005.

### Effective tax rate

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Effective tax rate (%)** | **31.2** | 18.9 | 26.6 |

### Tax expense reconciliation

| in | 1Q14 |
|---|---|
| CHF million | |
| **Income tax expense/(benefit) computed at the Swiss statutory tax rate of 22%** | **383** |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | 118 |
| Changes in tax law and rates | 151 |
| Other non-deductible expenses | 57 |
| Changes in deferred tax valuation allowance | 6 |
| Lower taxed income | (29) |
| Income taxable to noncontrolling interests | (140) |
| Tax deductible impairments of Swiss subsidiary investments | (18) |
| Other | 15 |
| **Income tax expense** | **543** |

### Foreign tax rate differential

1Q14 included a foreign tax expense of CHF 118 million in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US.

### Changes in tax law and rates

1Q14 included a tax expense of CHF 151 million related to the change in New York state tax laws.

### Other non-deductible expenses

1Q14 included non-deductible interest expenses of CHF 39 million, non-deductible bank levy costs and other non-deductible expenses of CHF 18 million.

### Changes in deferred tax valuation allowance

1Q14 included the impact of the increase of valuation allowances of CHF 12 million in respect of three of the Group's operating entities, two in Europe and one in Asia, partially offset by the release of valuation allowances in respect of two of the Group's operating entities in Europe of CHF 6 million. All impacts are related to estimated current year earnings.

### Lower taxed income

1Q14 included a CHF 17 million income tax benefit related to non-taxable life insurance income, and a tax benefit of CHF 12 million from non-taxable dividends.

### Other

1Q14 included a tax expense of CHF 9 million relating to the increase of tax contingency accruals.

### Net deferred tax assets

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 5,683 | 6,185 |
| of which net operating losses | 1,436 | 1,380 |
| of which deductible temporary differences | 4,247 | 4,805 |
| Deferred tax liabilities | (427) | (394) |
| **Net deferred tax assets** | **5,256** | **5,791** |

## 22 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, CCA, COF awards, Plus Bond awards, Partner Asset Facilities awards, Adjustable Performance Plan awards, Restricted Cash Awards, Scaled Incentive Share Units (SISUs), Incentive Share Units (ISUs) and other cash awards.

▸ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

The following tables show the expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 1Q14 and prior periods and the associated remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized deferred compensation expense was based on the fair value of each award on the date of grant and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 250 | 174 | 254 |
| Performance share awards | 172 | 122 | 204 |
| Contingent Capital Awards | 96 | – | – |
| Capital Opportunity Facility awards | 1 | – | – |
| Plus Bond awards [1] | 10 | 11 | 10 |
| 2011 Partner Asset Facility awards [2] | 11 | 57 | (7) |
| Adjustable Performance Plan share awards | 1 | 4 | 5 |
| Adjustable Performance Plan cash awards [3] | (2) | (2) | (3) |
| Restricted Cash Awards | 23 | 28 | 54 |
| Scaled Incentive Share Units | 0 | 9 | 7 |
| Incentive Share Units [3] | 0 | (1) | (2) |
| 2008 Partner Asset Facility awards [2] | 22 | 13 | 42 |
| Other cash awards | 128 | 100 | 117 |
| Discontinued operations | (3) | (4) | (1) |
| **Total deferred compensation expense** | **709** | **511** | **680** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.
[3] Includes forfeitures.

### Additional information

| end of | 1Q14 |
|---|---|
| **Estimated unrecognized deferred compensation expense (CHF million)** | |
| Share awards | 1,378 |
| Performance share awards | 692 |
| Contingent Capital Awards | 318 |
| Capital Opportunity Facility | 8 |
| Plus Bond awards | 14 |
| Adjustable Performance Plan share awards | 7 |
| Adjustable Performance Plan cash awards | 9 |
| Restricted Cash Awards | 107 |
| Other cash awards | 243 |
| **Estimated unrecognized deferred compensation expense** | **2,776** |
| **Weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

### 1Q14 activity

In 1Q14, the Group granted share awards, performance share awards and CCA as part of the 2013 variable compensation. Expense recognition for these awards began in 1Q14 and will continue over the remaining service or vesting period of each respective award.

### Share awards

In 1Q14, the Group granted 32.0 million share awards at a weighted average share price of CHF 28.11. Each share award granted entitles the holder of the award to receive one Group share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period.

### Performance share awards

In 1Q14, the Group granted 24.3 million performance share awards at a weighted average share price of CHF 28.13. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards also vest over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Unlike share awards, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative return on equity of the Group. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period.

### Contingent Capital Awards

In 1Q14, managing directors and directors were granted a new form of award, CCA. The Group awarded CHF 391 million of CCA, which will vest on the third anniversary of the grant date and will be expensed over the vesting period.

### Scaled Incentive Share Units

In 1Q14, SISU leverage units granted in 2010 were settled. In accordance with the terms of the plan, the SISU leverage units did not have a value at settlement.

### 2011 Partner Asset Facility

In 1Q14, the Group restructured the PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result of the restructuring, PAF2 holders were required to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) COF: participants elected for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elected the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elected to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in February 2016, subject to regulatory approvals.

In March 2014, 5,084 employees converted their PAF2 holdings of CHF 684 million into CCA (CHF 516 million) and COF (CHF 168 million).

#### Amendment to share plans

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 amendments permit Executive Board members to elect once a year, 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 the Group share price falls by more than 25% between election and settlement. 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.

### Share-based award activity

| Number of awards (in millions) | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards |
|---|---|---|---|---|---|
| | | | | | 1Q14 |
| **Share-based award activities** | | | | | |
| **Balance at beginning of period** | **72.9** | **41.4** | **14.5** | **4.7** | **1.2** |
| Granted | 32.0 | 24.3 | 0.8 [1] | 0.0 | 0.0 |
| Settled | (1.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Forfeited | (0.3) | 0.0 | 0.0 | 0.0 | (0.2) |
| **Balance at end of period** | **103.6** | **65.7** | **15.3** | **4.7** | **1.0** |
| of which vested | 30.4 | 17.7 | 8.3 | 4.7 | 0.1 |
| of which unvested | 73.2 | 48.0 | 7.0 | 0.0 | 0.9 |

[1] Represents additional units earned in 1Q14 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## 23 Pension and other post-retirement benefits

The Group previously disclosed that it expected to contribute CHF 529 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2014. As of the end of 1Q14, CHF 147 million of contributions had been made.

### Components of total benefit costs

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Total benefit costs (CHF million)** | | | |
| Service costs on benefit obligation | 69 | 90 | 94 |
| Interest costs on benefit obligation | 120 | 108 | 109 |
| Expected return on plan assets | (181) | (184) | (184) |
| Amortization of recognized prior service cost/(credit) | (22) | (23) | (23) |
| Amortization of recognized actuarial losses | 50 | 90 | 86 |
| **Net periodic benefit costs** | **36** | **81** | **82** |
| Settlement losses/(gains) | 0 | 39 | 0 |
| Curtailment losses/(gains) | (3) | 4 | (11) |
| Special termination benefits | 3 | 3 | 8 |
| **Total benefit costs** | **36** | **127** | **79** |

## 24 Derivatives and hedging activities

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 27 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| **end of 1Q14** | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 11,184.9 | 2.9 | 3.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,209.3 | 348.2 | 342.1 | 64.5 | 2.5 | 0.8 |
| Options bought and sold (OTC) | 3,802.7 | 45.7 | 45.7 | 0.0 | 0.0 | 0.0 |
| Futures | 950.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 656.5 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **46,804.3** | **397.1** | **390.9** | **64.5** | **2.5** | **0.8** |
| Forwards | 2,193.1 | 16.8 | 16.5 | 26.3 | 0.1 | 0.2 |
| Swaps | 1,403.9 | 25.3 | 36.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 989.3 | 9.6 | 10.6 | 9.4 | 0.0 | 0.0 |
| Futures | 45.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 13.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,644.6** | **51.9** | **63.7** | **35.7** | **0.1** | **0.2** |
| Forwards | 3.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 243.2 | 4.8 | 7.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 235.7 | 10.8 | 10.3 | 0.0 | 0.0 | 0.0 |
| Futures | 51.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 407.4 | 16.9 | 17.1 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **941.8** | **33.2** | **34.6** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [2] | **1,421.2** | **25.6** | **26.1** | **0.0** | **0.0** | **0.0** |
| Forwards | 20.0 | 0.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| Swaps | 47.5 | 2.6 | 2.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 34.9 | 0.9 | 0.8 | 0.0 | 0.0 | 0.0 |
| Futures | 29.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 52.1 | 0.6 | 0.8 | 0.0 | 0.0 | 0.0 |
| **Other products** [3] | **184.0** | **4.7** | **4.3** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **53,995.9** | **512.5** | **519.6** | **100.2** | **2.6** | **1.0** |

The notional amount, PRV and NRV (trading and hedging) was CHF 54,096.1 billion, CHF 515.1 billion and CHF 520.6 billion, respectively, as of March 31, 2014.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging [1] | | |
|---|---|---|---|---|---|---|
| end of 4Q13 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,589.6 | 399.6 | 393.8 | 68.5 | 2.8 | 0.7 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,382.0** | **446.7** | **441.5** | **68.5** | **2.8** | **0.7** |
| Forwards | 2,098.0 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.1 | 28.9 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.0** | **61.3** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.3 | 12.2 | 12.0 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.2** | **35.3** | **37.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.4 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.2 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,327.3** | **575.5** | **583.9** | **108.4** | **3.1** | **0.8** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.7 billion, CHF 578.6 billion and CHF 584.7 billion, respectively, as of December 31, 2013.
[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 20 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | (290) | 59 | 88 |
| Foreign exchange products | 0 | (1) | (2) |
| **Total** | **(290)** | **58** | **86** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | 300 | (55) | (86) |
| Foreign exchange products | 0 | 1 | 2 |
| **Total** | **300** | **(54)** | **(84)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains on the ineffective portion | 10 | 4 | 2 |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 14 | 9 | 5 |
| Foreign exchange products | 9 | 6 | (3) |
| **Total** | **23** | **15** | **2** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products [1] | 4 | 2 | 1 |
| Foreign exchange products [2] | (1) | 0 | (1) |
| **Total** | **3** | **2** | **0** |

[1] Included in trading revenues.
[2] Included in other revenues.

As of the end of 1Q14, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was three years.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 10 million.

## Net investment hedges

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 59 | 198 | (551) |
| **Total** | **59** | **198** | **(551)** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| | | | | 1Q14 | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.7 | 1.1 | 0.2 | **13.0** | 11.7 | 1.1 | 0.1 | **12.9** |
| Collateral posted | 10.7 | 1.1 | – | **11.8** | 10.6 | 1.2 | – | **11.8** |
| Additional collateral required in a one-notch downgrade event | 0.5 | 0.6 | 0.0 | **1.1** | 0.6 | 0.8 | 0.0 | **1.4** |
| Additional collateral required in a two-notch downgrade event | 2.1 | 0.9 | 0.0 | **3.0** | 2.3 | 1.1 | 0.0 | **3.4** |

### Credit derivatives

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. TRS of CHF 9.4 billion and CHF 7.4 billion as of the end of 1Q14 and 4Q13, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

#### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

#### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

#### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

#### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

### Credit protection sold/purchased

| | | | | | 1Q14 | | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (290.6) | 274.5 | (16.1) | 36.7 | 5.4 | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 |
| Non-investment grade | (101.3) | 97.1 | (4.2) | 11.1 | 2.6 | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 |
| **Total single-name instruments** | **(391.9)** | **371.6** | **(20.3)** | **47.8** | **8.0** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** |
| of which sovereign | (78.7) | 76.1 | (2.6) | 8.3 | (0.1) | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) |
| of which non-sovereign | (313.2) | 295.5 | (17.7) | 39.5 | 8.1 | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (198.7) | 196.2 | (2.5) | 57.9 | 1.9 | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 |
| Non-investment grade | (66.8) | 64.6 [3] | (2.2) | 10.1 | 3.1 | (65.0) | 59.0 [3] | (6.0) | 13.5 | 1.5 |
| **Total multi-name instruments** | **(265.5)** | **260.8** | **(4.7)** | **68.0** | **5.0** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** |
| of which sovereign | (9.9) | 9.7 | (0.2) | 1.1 | 0.1 | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 |
| of which non-sovereign | (255.6) | 251.1 | (4.5) | 66.9 | 4.9 | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (489.3) | 470.7 | (18.6) | 94.6 | 7.3 | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 |
| Non-investment grade | (168.1) | 161.7 | (6.4) | 21.2 | 5.7 | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 |
| **Total instruments** | **(657.4)** | **632.4** | **(25.0)** | **115.8** | **13.0** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** |
| of which sovereign | (88.6) | 85.8 | (2.8) | 9.4 | 0.0 | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) |
| of which non-sovereign | (568.8) | 546.6 | (22.2) | 106.4 | 13.0 | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 657.4 | 698.7 |
| Credit protection purchased | 632.4 | 663.9 |
| Other protection purchased | 115.8 | 109.0 |
| Other instruments [1] | 15.6 | 11.7 |
| **Total credit derivatives** | **1,421.2** | **1,483.3** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **1Q14 (CHF billion)** | | | | |
| Single-name instruments | 82.5 | 267.4 | 42.0 | 391.9 |
| Multi-name instruments | 17.0 | 201.2 | 47.3 | 265.5 |
| **Total instruments** | **99.5** | **468.6** | **89.3** | **657.4** |
| **4Q13 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |

## 25 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, securities lending indemnifications, derivatives and other guarantees.

‣ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a detailed description of guarantees.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **1Q14 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,776 | 1,510 | 4,286 | 4,205 | 16 | 2,377 |
| Performance guarantees and similar instruments | 4,667 | 3,198 | 7,865 | 7,101 | 74 | 3,455 |
| Securities lending indemnifications | 11,922 | 0 | 11,922 | 11,922 | 0 | 11,922 |
| Derivatives [2] | 19,278 | 11,390 | 30,668 | 30,668 | 800 | – [3] |
| Other guarantees | 3,393 | 1,186 | 4,579 | 4,567 | 36 | 2,457 |
| **Total guarantees** | **42,036** | **17,284** | **59,320** | **58,463** | **926** | **20,211** |
| **4Q13 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments [4] | 2,688 | 1,526 | 4,214 | 4,066 | 14 | 2,333 |
| Performance guarantees and similar instruments [4] | 4,910 | 3,136 | 8,046 | 7,125 | 107 | 3,312 |
| Securities lending indemnifications | 11,479 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 13,403 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 4,003 | 1,212 | 5,215 | 5,191 | 3 | 2,631 |
| **Total guarantees** | **41,327** | **19,277** | **60,604** | **59,511** | **839** | **19,755** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.
[4] Prior period has been corrected.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac (GSEs); institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to March 31, 2014 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 1Q14, 4Q13 and 1Q13, including realized losses from the repurchase of residential mortgage loans sold.

### Residential mortgage loans sold

| January 1, 2004 to March 31, 2014 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 23.7 |
| Non-agency securitizations | 134.1 [2] |
| **Total residential mortgage loans sold** | **166.0** |

[1] Primarily banks.
[2] Of the total residential mortgage loans sold to non-agency securitizations USD 25.7 billion were outstanding as of the end of 1Q14. The difference of the total balance of mortgage loans sold and the outstanding balance as of the end of 1Q14 is attributable to borrower payments of USD 89.5 billion and losses of USD 18.9 billion due to loan defaults.

### Residential mortgage loans sold – outstanding repurchase claims

| | 1Q14 | | | | 4Q13 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **77** | **420** | **83** | **580** | **66** | **419** | **72** | **557** |
| New claims | 6 | 1 | 6 | 13 | 21 | 2 | 541 | 564 |
| Claims settled through repurchases | 0 | 0 | 0 | 0 [1] | 0 | (1) | 0 | (1) [1] |
| Other settlements | (3) | (1) | (5) | (9) [2] | (5) | 0 | 0 | (5) [2] |
| Total claims settled | (3) | (1) | (5) | (9) | (5) | (1) | 0 | (6) |
| Claims rescinded | (11) | 0 | 0 | (11) | (5) | 0 | 0 | (5) |
| Transfers to/from arbitration and litigation, net [3] | 0 | (2) | (1) | (3) | 0 | 0 | (530) | (530) |
| **Balance at end of period** | **69** | **418** | **83** | **570** | **77** | **420** | **83** | **580** |

| | 1Q13 | | | |
|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | |
| **Balance at beginning of period** | **67** | **464** | **1,395** | **1,926** |
| New claims | 12 | 22 | 340 | 374 |
| Claims settled through repurchases | (3) | 0 | 0 | (3) [1] |
| Other settlements | (3) | 0 | (3) | (6) [2] |
| Total claims settled | (6) | 0 | (3) | (9) |
| Claims rescinded | (6) | (4) | 0 | (10) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (334) | (334) |
| **Balance at end of period** | **67** | **482** | **1,398** | **1,947** |

[1] Settled at a repurchase price of USD 0 million, USD 0 million and USD 3 million in 1Q14, 4Q13 and 1Q13, respectively.
[2] Settled at USD 7 million, USD 3 million and USD 5 million in 1Q14, 4Q13 and 1Q13, respectively.
[3] Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.

### Provisions for outstanding repurchase claims

| | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Provisions for outstanding repurchase claims (USD million)** [1] | | | |
| **Balance at beginning of period** | **146** | **88** | **55** |
| Increase/(decrease) in provisions, net | (3) | 61 | 12 |
| Realized losses [2] | (7) [3] | (3) [4] | (8) [5] |
| **Balance at end of period** | **136** [6] | **146** [6] | **59** [4] |

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 29 – Litigation" for further information.
[2] Includes indemnifications paid to resolve loan repurchase claims.
[3] Primarily related to non-agency securitizations.
[4] Primarily related to government-sponsored enterprises.
[5] Primarily related to government-sponsored enterprises and non-agency securitizations.
[6] Primarily related to government-sponsored enterprises and private investors.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

▸ Refer to "Note 29 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

▸ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

▸ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Guarantees and commitments in the Credit Suisse Annual Report 2013 for a description of these commitments.

### Other commitments

| | | | | | **1Q14** | | | | | 4Q13 |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 5,062 | 28 | 5,090 | 4,991 | 3,156 | 5,484 | 28 | 5,512 | 5,452 | 3,381 |
| Irrevocable loan commitments [2] | 32,964 | 70,368 | 103,332 | 99,781 | 54,013 | 27,250 | 69,740 | 96,990 | 92,732 | 47,996 |
| Forward reverse repurchase agreements | 32,377 | 0 | 32,377 | 32,377 | 32,377 | 26,893 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 2,269 | 1,221 | 3,490 | 3,490 | 410 | 2,481 | 1,410 | 3,891 | 3,891 | 350 |
| **Total other commitments** | **72,672** | **71,617** | **144,289** | **140,639** | **89,956** | **62,108** | **71,178** | **133,286** | **128,968** | **78,620** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 91,854 million and CHF 90,254 million of unused credit limits as of the end of 1Q14 and 4Q13, respectively, which were revocable at the Group's sole discretion upon notice to the client.

## 26 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, commercial paper (CP) and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 1Q14 and 1Q13 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 1Q14 | 1Q13 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 1 | 4 |
| Proceeds from transfer of assets | 673 | 1,359 |
| Cash received on interests that continue to be held | 30 | 11 |
| **RMBS** | | |
| Net gain [1] | 8 | 3 |
| Proceeds from transfer of assets | 5,220 | 8,062 |
| Purchases of previously transferred financial assets or its underlying collateral | (4) | (3) |
| Servicing fees | 0 | 1 |
| Cash received on interests that continue to be held | 88 | 136 |
| **Other asset-backed financings** | | |
| Net gain [1] | 15 | 5 |
| Proceeds from transfer of assets | 943 | 140 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | 0 | (32) |
| Cash received on interests that continue to be held | 2 | 222 |

1 Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
2 Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to "Transfer of financial assets" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 1Q14 and 4Q13, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 38,774 | 37,308 |
| Total assets of SPE | 49,371 | 48,715 |
| **RMBS** | | |
| Principal amount outstanding | 40,719 | 45,571 |
| Total assets of SPE | 43,764 | 48,741 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 26,368 | 27,854 |
| Total assets of SPE | 26,368 | 27,854 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 27 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | | 1Q14 | | 4Q13 |
|---|---|---|---|---|
| at time of transfer | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 369 | 643 | 633 | 2,993 |
| of which level 2 | 369 | 565 | 476 | 2,879 |
| of which level 3 | 0 | 78 | 156 | 114 |
| Weighted-average life, in years | 3.5 | 4.6 | 7.3 | 7.7 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 6.0–23.0 | – [2] | 2.0–31.0 |
| Cash flow discount rate (rate per annum), in % [3] | 1.0–6.0 | 3.0–15.0 | 1.6–11.6 | 0.0–45.9 |
| Expected credit losses (rate per annum), in % | 1.0–2.0 | 3.0–14.0 | 0.0–7.5 | 0.0–45.8 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

## Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 1Q14 and 4Q13.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | | | 1Q14 | | | 4Q13 |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,677 | 2,370 | 245 | 1,132 | 2,354 | 284 |
| of which non-investment grade | 44 | 412 | 173 | 26 | 359 | 204 |
| Weighted-average life, in years | 5.2 | 8.0 | 4.5 | 6.5 | 8.6 | 3.7 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–26.7 | – | – | 1.0–23.5 | – |
| Impact on fair value from 10% adverse change | – | (29.3) | – | – | (26.6) | – |
| Impact on fair value from 20% adverse change | – | (58.5) | – | – | (48.6) | – |
| Cash flow discount rate (rate per annum), in % [4] | 0.1–23.8 | 0.2–35.5 | 0.9–21.2 | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 |
| Impact on fair value from 10% adverse change | (27.1) | (56.4) | (3.5) | (25.5) | (65.0) | (2.4) |
| Impact on fair value from 20% adverse change | (53.2) | (109.6) | (7.1) | (50.0) | (124.9) | (4.9) |
| Expected credit losses (rate per annum), in % | 0.0–23.3 | 1.1–34.2 | 0.5–12.1 | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 |
| Impact on fair value from 10% adverse change | (12.9) | (35.1) | (1.6) | (10.9) | (42.2) | (0.4) |
| Impact on fair value from 20% adverse change | (25.5) | (68.8) | (2.9) | (21.5) | (79.6) | (0.7) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 1Q14 and 4Q13.

▸ Refer to "Note 28 – Assets pledged and collateral" for further information.

### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 380 | 432 |
| Liability to SPE, included in Other liabilities | (380) | (432) |
| **Other asset-backed financings** | | |
| Trading assets | 168 | 216 |
| Other assets | 160 | 157 |
| Liability to SPE, included in Other liabilities | (328) | (373) |

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 50 days and 19 days as of 1Q14 and 4Q13, respectively. As of 1Q14 and 4Q13, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated loans or receivables in the consumer sector, including residential mortgages, financial services, auto and equipment loans or leases and advance financing receivables. As of 1Q14 and 4Q13, those assets had an average rating of AA, based on the lowest of each asset's external or internal rating, and an average maturity of 1.9 years and 2.1 years as of 1Q14 and 4Q13, respectively.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 1Q14 and 4Q13.

### Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **1Q14 (CHF million)** | | | | | | | |
| Cash and due from banks | 449 | 1 | 16 | 102 | 135 | 34 | 737 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,104 | 0 | 0 | 0 | 0 | 1,104 |
| Trading assets | 809 | 49 | 0 | 1,571 | 682 | 381 | 3,492 |
| Investment securities | 0 | 76 | 0 | 0 | 0 | 0 | 76 |
| Other investments | 0 | 0 | 0 | 0 | 1,472 | 479 | 1,951 |
| Net loans | 0 | 655 | 842 | 0 | 18 | 532 | 2,047 |
| Premises and equipment | 0 | 0 | 0 | 0 | 434 | 71 | 505 |
| Other assets | 7,254 | 1,501 | 3,060 | 3 | 275 | 1,618 | 13,711 |
| of which loans held-for-sale | 7,218 | 0 | 2,637 | 0 | 55 | 1 | 9,911 |
| **Total assets of consolidated VIEs** | **8,512** | **3,386** | **3,918** | **1,676** | **3,016** | **3,115** | **23,623** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 233 | 233 |
| Trading liabilities | 8 | 0 | 0 | 0 | 7 | 3 | 18 |
| Short-term borrowings | 0 | 5,176 | 0 | 0 | 0 | 0 | 5,176 |
| Long-term debt | 8,510 | 18 | 2,974 | 273 | 96 | 368 | 12,239 |
| Other liabilities | 17 | 19 | 94 | 19 | 157 | 471 | 777 |
| **Total liabilities of consolidated VIEs** | **8,535** | **5,213** | **3,068** | **292** | **260** | **1,075** | **18,443** |
| **4Q13 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 447 | 66 | 513 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 308 | 1,680 | 14,330 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,777** | **3,164** | **27,654** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 153 | 438 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **254** | **1,227** | **18,346** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 33 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2013 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **1Q14 (CHF million)** | | | | | | |
| Trading assets | 296 | 5,596 | 965 | 590 | 678 | 8,125 |
| Net loans | 3 | 973 | 2,826 | 2,517 | 1,378 | 7,697 |
| Other assets | 0 | 6 | 21 | 0 | 194 | 221 |
| **Total variable interest assets** | **299** | **6,575** | **3,812** | **3,107** | **2,250** | **16,043** |
| **Maximum exposure to loss** | **299** | **10,163** | **3,973** | **6,452** | **2,417** | **23,304** |
| **Non-consolidated VIE assets** | **11,493** | **104,780** | **51,300** | **30,232** | **18,365** | **216,170** |
| **4Q13 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,812 | 2,856 | 1,282 | 7,565 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,838** | **3,581** | **2,001** | **15,138** |
| **Maximum exposure to loss** | **186** | **7,496** | **4,026** | **7,433** | **2,090** | **21,231** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **19,450** | **217,838** |

## 27 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's concentrations of credit risk.

## FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as CVA) is considered when measuring the fair value of assets and the impact of changes in the Group's own credit spreads (known as DVA) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Assets and liabilities measured at fair value on a recurring basis

| end of 1Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 404 | 0 | 0 | 404 |
| Interest-bearing deposits with banks | 0 | 308 | 0 | 0 | 308 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 88,012 | 69 | 0 | 88,081 |
| Debt | 310 | 1,070 | 0 | 0 | 1,380 |
| of which corporates | 0 | 1,059 | 0 | 0 | 1,059 |
| Equity | 21,445 | 204 | 0 | 0 | 21,649 |
| Securities received as collateral | 21,755 | 1,274 | 0 | 0 | 23,029 |
| Debt | 44,072 | 63,927 | 4,679 | 0 | 112,678 |
| of which foreign governments | 43,720 | 6,443 | 14 | 0 | 50,177 |
| of which corporates | 31 | 24,334 | 2,059 | 0 | 26,424 |
| of which RMBS | 0 | 25,046 | 702 | 0 | 25,748 |
| of which CMBS | 0 | 5,341 | 283 | 0 | 5,624 |
| of which CDO | 0 | 2,696 | 1,324 | 0 | 4,020 |
| Equity | 76,233 | 6,245 | 566 | 0 | 83,044 |
| Derivatives | 5,820 | 501,539 | 5,113 | (481,934) | 30,538 |
| of which interest rate products | 822 | 394,688 | 1,586 | – | – |
| of which foreign exchange products | 284 | 51,194 | 459 | – | – |
| of which equity/index-related products | 4,544 | 27,571 | 1,062 | – | – |
| of which credit derivatives | 0 | 24,522 | 1,094 | – | – |
| Other | 3,459 | 4,282 | 3,068 | 0 | 10,809 |
| Trading assets | 129,584 | 575,993 | 13,426 | (481,934) | 237,069 |
| Debt | 2,194 | 1,024 | 0 | 0 | 3,218 |
| of which foreign governments | 1,804 | 0 | 0 | 0 | 1,804 |
| of which corporates | 0 | 584 | 0 | 0 | 584 |
| of which CDO | 0 | 440 | 0 | 0 | 440 |
| Equity | 2 | 98 | 2 | 0 | 102 |
| Investment securities | 2,196 | 1,122 | 2 | 0 | 3,320 |
| Private equity | 0 | 0 | 1,308 | 0 | 1,308 |
| of which equity funds | 0 | 0 | 639 | 0 | 639 |
| Hedge funds | 0 | 162 | 316 | 0 | 478 |
| of which debt funds | 0 | 119 | 305 | 0 | 424 |
| Other equity investments | 76 | 136 | 1,691 | 0 | 1,903 |
| of which private | 0 | 91 | 1,691 | 0 | 1,782 |
| Life finance instruments | 0 | 0 | 1,585 | 0 | 1,585 |
| Other investments | 76 | 298 | 4,900 | 0 | 5,274 |
| Loans | 0 | 11,105 | 8,875 | 0 | 19,980 |
| of which commercial and industrial loans | 0 | 6,242 | 6,220 | 0 | 12,462 |
| of which financial institutions | 0 | 3,784 | 1,203 | 0 | 4,987 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 55 | 0 | 55 |
| Other assets | 4,565 | 22,608 | 6,094 | (679) | 32,588 |
| of which loans held-for-sale | 0 | 14,148 | 5,555 | 0 | 19,703 |
| **Total assets at fair value** | **158,176** | **701,124** | **33,421** | **(482,613)** | **410,108** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (72) | (145) | (770) | 0 | (987) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,110) | (2,609) | 0 | (10,719) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **158,104** | **692,869** | **30,042** | **(482,613)** | **398,402** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 1Q14 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,270 | 0 | 0 | 1,270 |
| Customer deposits | 0 | 3,112 | 58 | 0 | 3,170 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 70,824 | 0 | 0 | 70,824 |
| Debt | 310 | 1,070 | 0 | 0 | 1,380 |
| of which corporates | 0 | 1,059 | 0 | 0 | 1,059 |
| Equity | 21,445 | 204 | 0 | 0 | 21,649 |
| Obligation to return securities received as collateral | 21,755 | 1,274 | 0 | 0 | 23,029 |
| Debt | 18,365 | 5,604 | 0 | 0 | 23,969 |
| of which foreign governments | 18,266 | 633 | 0 | 0 | 18,899 |
| of which corporates | 21 | 4,511 | 0 | 0 | 4,532 |
| Equity | 16,435 | 219 | 15 | 0 | 16,669 |
| Derivatives | 4,764 | 509,866 | 4,977 | (487,216) | 32,391 |
| of which interest rate products | 645 | 389,120 | 1,111 | – | – |
| of which foreign exchange products | 326 | 62,580 | 816 | – | – |
| of which equity/index-related products | 3,608 | 29,575 | 1,447 | – | – |
| of which credit derivatives | 0 | 24,899 | 1,198 | – | – |
| Trading liabilities | 39,564 | 515,689 | 4,992 | (487,216) | 73,029 |
| Short-term borrowings | 0 | 6,109 | 196 | 0 | 6,305 |
| Long-term debt | 0 | 54,192 | 10,502 | 0 | 64,694 |
| of which treasury debt over two years | 0 | 8,139 | 0 | 0 | 8,139 |
| of which structured notes over two years | 0 | 22,919 | 7,211 | 0 | 30,130 |
| of which non-recourse liabilities | 0 | 8,914 | 2,397 | 0 | 11,311 |
| Other liabilities | 0 | 18,619 | 3,415 | (417) | 21,617 |
| of which failed sales | 0 | 513 | 1,104 | 0 | 1,617 |
| **Total liabilities at fair value** | **61,319** | **671,089** | **19,163** | **(487,633)** | **263,938** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,218 | 5,069 | 0 | 110,116 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,268 | 2,128 | 0 | 26,410 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,322 | 5,778 | 595 | 0 | 76,695 |
| Derivatives | 6,610 | 563,649 | 5,217 | (543,873) | 31,603 |
| of which interest rate products | 1,065 | 444,056 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,807 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,763 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,691 | 4,479 | 2,829 | 0 | 10,999 |
| Trading assets | 122,452 | 637,124 | 13,710 | (543,873) | 229,413 |
| Debt | 1,788 | 1,098 | 0 | 0 | 2,886 |
| of which foreign governments | 1,386 | 2 | 0 | 0 | 1,388 |
| of which corporates | 0 | 606 | 0 | 0 | 606 |
| of which CDO | 0 | 490 | 0 | 0 | 490 |
| Equity | 2 | 97 | 2 | 0 | 101 |
| Investment securities | 1,790 | 1,195 | 2 | 0 | 2,987 |
| Private equity | 0 | 0 | 3,345 | 0 | 3,345 |
| of which equity funds | 0 | 0 | 2,236 | 0 | 2,236 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,630 | 0 | 1,645 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,969 | 0 | 7,596 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,530 | 6,159 | (1,032) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **150,484** | **770,575** | **35,084** | **(544,905)** | **411,238** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **150,238** | **761,430** | **29,845** | **(544,905)** | **396,608** |

1 Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
2 Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,450 | 0 | 0 | 1,450 |
| Customer deposits | 0 | 3,197 | 55 | 0 | 3,252 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,311 | 2 | 0 | 24,350 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,130 | 2 | 0 | 4,133 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,444 | 5,545 | (547,385) | 36,483 |
| of which interest rate products | 896 | 439,446 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,547 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,622 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,064 | 5,564 | (547,385) | 76,635 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 53,589 | 9,780 | 0 | 63,369 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,679 | 6,217 | 0 | 26,896 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,511 | 2,861 | (399) | 21,973 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **739,391** | **18,539** | **(547,784)** | **271,636** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 1Q14, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in debt and equity as pricing inputs became more observable. Transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity as suitable closing prices were unobtainable as of the end of 1Q14.

### Transfers between level 1 and level 2

| | **1Q14** | | 1Q13 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 237 | 0 | 25 | 107 |
| Equity | 202 | 31 | 300 | 144 |
| Derivatives | 32 | 0 | 130 | 0 |
| **Trading assets** | **471** | **31** | **455** | **251** |
| **Liabilities (CHF million)** | | | | |
| Debt | 109 | 0 | 1 | 0 |
| Equity | 81 | 14 | 187 | 17 |
| Derivatives | 34 | 2 | 211 | 6 |
| **Trading liabilities** | **224** | **16** | **399** | **23** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 1Q14 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | 0 | (135) | 0 |
| Debt | 5,069 | 291 | (897) | 1,562 |
| of which corporates | 2,128 | 68 | (359) | 473 |
| of which RMBS | 436 | 174 | (103) | 269 |
| of which CMBS | 417 | 29 | (142) | 30 |
| of which CDO | 1,567 | 13 | (83) | 787 |
| Equity | 595 | 72 | (193) | 181 |
| Derivatives | 5,217 | 164 | (137) | 0 |
| of which interest rate products | 1,574 | 32 | (4) | 0 |
| of which equity/index-related products | 1,240 | 17 | (44) | 0 |
| of which credit derivatives | 1,138 | 94 | (83) | 0 |
| Other | 2,829 | 191 | (62) | 481 |
| Trading assets | 13,710 | 718 | (1,289) | 2,224 |
| Investment securities | 2 | 0 | 0 | 0 |
| Equity | 5,369 | 0 | (14) | 394 |
| Life finance instruments | 1,600 | 0 | 0 | 50 |
| Other investments | 6,969 | 0 | (14) | 444 |
| Loans | 7,998 | 20 | (154) | 141 |
| of which commercial and industrial loans | 5,309 | 18 | (154) | 139 |
| of which financial institutions | 1,322 | 2 | 0 | 2 |
| Other intangible assets (mortgage servicing rights) | 42 | 0 | 0 | 14 |
| Other assets | 6,159 | 893 | (763) | 919 |
| of which loans held-for-sale [2] | 5,615 | 892 | (749) | 874 |
| **Total assets at fair value** | **35,084** | **1,631** | **(2,355)** | **3,742** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 55 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | 0 | (114) | 0 |
| Trading liabilities | 5,564 | 346 | (426) | 0 |
| of which interest rate derivatives | 1,129 | 26 | (5) | 0 |
| of which foreign exchange derivatives | 938 | 0 | 0 | 0 |
| of which equity/index-related derivatives | 1,896 | 186 | (350) | 0 |
| of which credit derivatives | 1,230 | 108 | (67) | 0 |
| Short-term borrowings | 165 | 12 | (27) | 0 |
| Long-term debt | 9,780 | 444 | (579) | 0 |
| of which structured notes over two years | 6,217 | 109 | (241) | 0 |
| of which non-recourse liabilities | 2,552 | 325 | (115) | 0 |
| Other liabilities | 2,861 | 74 | (25) | 75 |
| of which failed sales | 1,143 | 65 | (7) | 61 |
| **Total liabilities at fair value** | **18,539** | **876** | **(1,171)** | **75** |
| **Net assets/(liabilities) at fair value** | **16,545** | **755** | **(1,184)** | **3,667** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized gains recorded in trading revenues of CHF 2 million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| Sales | Issuances | Settlements | Trading revenues: On transfers in / out [1] | Trading revenues: On all other | Other revenues: On transfers in / out [1] | Other revenues: On all other | Foreign currency translation impact | **Balance at end of period** |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 69 |
| (1,477) | 0 | 0 | (56) | 217 | 0 | 0 | (30) | 4,679 |
| (344) | 0 | 0 | (65) | 166 | 0 | 0 | (8) | 2,059 |
| (107) | 0 | 0 | 8 | 31 | 0 | 0 | (6) | 702 |
| (33) | 0 | 0 | 1 | (16) | 0 | 0 | (3) | 283 |
| (976) | 0 | 0 | (2) | 28 | 0 | 0 | (10) | 1,324 |
| (145) | 0 | 0 | 54 | 6 | 0 | 0 | (4) | 566 |
| 0 | 757 | (1,119) | 15 | 251 | 0 | 0 | (35) | 5,113 |
| 0 | 42 | (261) | 1 | 216 | 0 | 0 | (14) | 1,586 |
| 0 | 168 | (152) | 11 | (172) | 0 | 0 | (6) | 1,062 |
| 0 | 177 | (357) | 0 | 133 | 0 | 0 | (8) | 1,094 |
| (464) | 0 | (6) | 5 | 119 | 0 | 0 | (25) | 3,068 |
| (2,086) | 757 | (1,125) | 18 | 593 | 0 | 0 | (94) | 13,426 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| (2,787) | 0 | 0 | 0 | 6 | 0 | 349 | (2) | 3,315 |
| (74) | 0 | 0 | 0 | 20 | 0 | 0 | (11) | 1,585 |
| (2,861) | 0 | 0 | 0 | 26 | 0 | 349 | (13) | 4,900 |
| (452) | 1,570 | (173) | 0 | (9) | 0 | 0 | (66) | 8,875 |
| (207) | 1,252 | (152) | 0 | 64 | 0 | 0 | (49) | 6,220 |
| (79) | 34 | (17) | 0 | (54) | 0 | 0 | (7) | 1,203 |
| 0 | 0 | 0 | 0 | 0 | 0 | (1) | 0 | 55 |
| (1,139) | 180 | (234) | 4 | 107 | 0 | 0 | (32) | 6,094 |
| (1,090) | 180 | (235) | 10 | 86 | 0 | 0 | (28) | 5,555 |
| **(6,538)** | **2,507** | **(1,532)** | **22** | **717** | **0** | **348** | **(205)** | **33,421** |
| | | | | | | | | |
| 0 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | 58 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (5) | 449 | (1,106) | 158 | 46 | 0 | 0 | (34) | 4,992 |
| 0 | 6 | (154) | 2 | 115 | 0 | 0 | (8) | 1,111 |
| 0 | 2 | (107) | 0 | (10) | 0 | 0 | (7) | 816 |
| 0 | 366 | (490) | 155 | (306) | 0 | 0 | (10) | 1,447 |
| 0 | 0 | (286) | 1 | 220 | 0 | 0 | (8) | 1,198 |
| 0 | 138 | (93) | (1) | 2 | 0 | 0 | 0 | 196 |
| 0 | 1,748 | (923) | (4) | 120 | 0 | 0 | (84) | 10,502 |
| 0 | 1,407 | (319) | (2) | 100 | 0 | 0 | (60) | 7,211 |
| 0 | 88 | (469) | 2 | 27 | 0 | 0 | (13) | 2,397 |
| (236) | 633 | (149) | 8 | 74 | 0 | 118 | (18) | 3,415 |
| (198) | 0 | 0 | 0 | 48 | 0 | 0 | (8) | 1,104 |
| **(241)** | **2,968** | **(2,271)** | **161** | **244** | **0** | **118** | **(135)** | **19,163** |
| **(6,297)** | **(461)** | **739** | **(139)** | **473** | **0** | **230** | **(70)** | **14,258** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 1Q13 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Debt | 5,888 | 265 | (379) | 1,338 |
| of which corporates | 3,192 | 72 | (129) | 645 |
| of which RMBS | 724 | 134 | (142) | 203 |
| of which CMBS | 1,023 | 20 | (88) | 50 |
| of which CDO | 447 | 1 | (12) | 393 |
| Equity | 485 | 132 | (32) | 91 |
| Derivatives | 6,650 | 124 | (329) | 0 |
| of which interest rate products | 1,859 | 9 | (118) | 0 |
| of which equity/index-related products | 1,920 | 48 | (31) | 0 |
| of which credit derivatives | 1,294 | 67 | (175) | 0 |
| Other | 2,486 | 38 | (159) | 986 |
| Trading assets | 15,509 | 559 | (899) | 2,415 |
| Investment securities | 170 | 0 | 0 | 0 |
| Equity | 6,366 | 0 | (8) | 628 |
| Life finance instruments | 1,818 | 0 | 0 | 49 |
| Other investments | 8,184 | 0 | (8) | 677 |
| Loans | 6,619 | 32 | (1,377) | 231 |
| of which commercial and industrial loans | 4,778 | 20 | (57) | 220 |
| of which financial institutions | 1,530 | 11 | 0 | 11 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 0 |
| Other assets | 5,164 | 661 | (1,055) | 1,094 |
| of which loans held-for-sale | 4,463 | 650 | (1,055) | 1,012 |
| **Total assets at fair value** | **35,689** | **1,252** | **(3,339)** | **4,417** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 246 | (403) | 50 |
| of which interest rate derivatives | 1,357 | 24 | (70) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (13) | 0 |
| of which equity/index-related derivatives | 1,003 | 21 | (53) | 0 |
| of which credit derivatives | 819 | 166 | (181) | 0 |
| Short-term borrowings | 124 | 45 | (6) | 0 |
| Long-term debt | 10,098 | 590 | (892) | 0 |
| of which structured notes over two years | 6,189 | 189 | (667) | 0 |
| of which non-recourse liabilities | 2,551 | 382 | (188) | 0 |
| Other liabilities | 2,848 | 11 | (69) | 47 |
| of which failed sales | 1,160 | 0 | (59) | 0 |
| **Total liabilities at fair value** | **18,451** | **892** | **(1,370)** | **97** |
| **Net assets/(liabilities) at fair value** | **17,238** | **360** | **(1,969)** | **4,320** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| (2,648) | 0 | 0 | 15 | 137 | 0 | 0 | 199 | 4,815 |
| (1,171) | 0 | 0 | 1 | 61 | 0 | 0 | 124 | 2,795 |
| (262) | 0 | 0 | 4 | 13 | 0 | 0 | 25 | 699 |
| (692) | 0 | 0 | (2) | 49 | 0 | 0 | 19 | 379 |
| (486) | 0 | 0 | 0 | 22 | 0 | 0 | 16 | 381 |
| (178) | 0 | 0 | 2 | 14 | 0 | 0 | 15 | 529 |
| 0 | 292 | (581) | 25 | (51) | 0 | 0 | 217 | 6,347 |
| 0 | 52 | (71) | 2 | (194) | 0 | 0 | 57 | 1,596 |
| 0 | 56 | (172) | 4 | 93 | 0 | 0 | 67 | 1,985 |
| 0 | 52 | (173) | 18 | 1 | 0 | 0 | 44 | 1,128 |
| (1,159) | 0 | (16) | 1 | (8) | 0 | 0 | 82 | 2,251 |
| (3,985) | 292 | (597) | 43 | 92 | 0 | 0 | 513 | 13,942 |
| (4) | 0 | 0 | 0 | 1 | 0 | 0 | 8 | 175 |
| (928) | 0 | 0 | 0 | 7 | 0 | 120 | 206 | 6,391 |
| (83) | 0 | 0 | 0 | (16) | 0 | 0 | 63 | 1,831 |
| (1,011) | 0 | 0 | 0 | (9) | 0 | 120 | 269 | 8,222 |
| (285) | 2,294 | (371) | 0 | 47 | 0 | 1 | 266 | 7,457 |
| (167) | 462 | (271) | 0 | (52) | 0 | 1 | 173 | 5,107 |
| (118) | 118 | (101) | 0 | (27) | 0 | 0 | 52 | 1,476 |
| 0 | 0 | 0 | 0 | 0 | 0 | (2) | 1 | 42 |
| (1,018) | 407 | (333) | 20 | (30) | 0 | 0 | 189 | 5,099 |
| (888) | 407 | (333) | 20 | 11 | 0 | 0 | 166 | 4,453 |
| **(6,303)** | **2,993** | **(1,301)** | **63** | **101** | **0** | **119** | **1,246** | **34,937** |
| | | | | | | | | |
| 0 | 28 | 0 | 0 | (1) | 0 | (1) | 0 | 51 |
| (125) | 268 | (682) | 41 | 321 | 0 | 0 | 178 | 5,250 |
| 0 | 107 | (10) | 3 | (174) | 0 | 0 | 40 | 1,277 |
| 0 | 10 | (359) | (1) | 163 | 0 | 0 | 53 | 1,514 |
| 0 | 83 | (172) | 8 | 287 | 0 | 0 | 40 | 1,217 |
| 0 | 47 | (107) | 37 | 34 | 0 | 0 | 29 | 844 |
| 0 | 88 | (31) | 0 | 0 | 0 | 0 | 6 | 226 |
| 0 | 1,845 | (1,569) | 19 | (11) | 0 | 0 | 368 | 10,448 |
| 0 | 1,078 | (594) | 10 | (58) | 0 | 0 | 238 | 6,385 |
| 0 | 160 | (680) | 10 | 67 | 0 | 0 | 77 | 2,379 |
| (136) | 0 | (31) | (7) | (23) | 0 | 79 | 94 | 2,813 |
| (101) | 0 | 0 | (1) | (16) | 0 | 0 | 38 | 1,021 |
| **(261)** | **2,229** | **(2,313)** | **53** | **286** | **0** | **78** | **646** | **18,788** |
| **(6,042)** | **764** | **1,012** | **10** | **(185)** | **0** | **41** | **600** | **16,149** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| | | | 1Q14 | | | 1Q13 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | 334 | 230 | **564** [1] | (175) | 41 | **(134)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (234) | 23 | **(211)** | (648) | 92 | **(556)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

**Transfers in and out of level 3**

Transfers into level 3 assets during 1Q14 were CHF 1,631 million, primarily from loans held-for-sale and trading assets. The transfers were primarily in the corporate credit and alternative investment businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 1Q14 were CHF 2,355 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit and prime services businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

**Qualitative disclosures of valuation techniques**

Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. Significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

#### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, discount rate and capitalization rate.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralized OTC derivatives due to a lack of clear observability in the marketplace.

#### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

#### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

#### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability.

Generally, the interrelationship between the volatility and correlation is positively correlated.

#### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

### Other investments

#### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published net asset values (NAVs). Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spread, contingent probability and EBITDA multiple. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

#### Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, price, volatility, volatility skew, funding spread and contingent probability, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), capitalization rate, discount rate, prepayment rate, recovery rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value. An increase in the significant unobservable inputs basis spread, mean reversion and skew would decrease the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

## Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

## Quantitative information about level 3 assets at fair value

| end of 1Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| CHF million, except where indicated | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 69 | Discounted cash flow | Funding spread, in bp | 350 | 350 | 350 |
| Debt | 4,679 | | | | | |
| of which corporates | 2,059 | | | | | |
| of which | 154 | Option model | Correlation, in % | (92) | 98 | 13 |
| | | | Buyback probability, in % [2] | 50 | 100 | 63 |
| of which | 649 | Market comparable | Price, in % | 0 | 135 | 86 |
| of which | 1,017 | Discounted cash flow | Credit spread, in bp | 13 | 1,460 | 399 |
| of which RMBS | 702 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 36 | 8 |
| | | | Default rate, in % | 0 | 26 | 4 |
| | | | Loss severity, in % | 0 | 100 | 40 |
| of which CMBS | 283 | Discounted cash flow | Capitalization rate, in % | 8 | 12 | 9 |
| | | | Discount rate, in % | 2 | 38 | 9 |
| | | | Prepayment rate, in % | 0 | 15 | 11 |
| | | | Default rate, in % | 0 | 21 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,324 | | | | | |
| of which | 109 | Vendor price | Price, in % | 0 | 102 | 88 |
| of which | 204 | Discounted cash flow | Discount rate, in % | 1 | 15 | 8 |
| | | | Prepayment rate, in % | 0 | 30 | 9 |
| | | | Default rate, in % | 0 | 15 | 3 |
| | | | Loss severity, in % | 0 | 100 | 39 |
| of which | 890 | Market comparable | Price, in % | 86 | 193 | 170 |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

2 Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 1Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 566 | | | | | |
| of which | 244 | Market comparable | EBITDA multiple | 3 | 12 | 8 |
| | | | Price, in % | 0 | 198 | 66 |
| of which | 27 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,113 | | | | | |
| of which interest rate products | 1,586 | Option model | Correlation, in % | 15 | 100 | 81 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 3 | (1) |
| | | | Credit spread, in bp | 44 | 580 | 223 |
| of which equity/index-related products | 1,062 | Option model | Correlation, in % | (92) | 98 | 13 |
| | | | Volatility, in % | 3 | 205 | 25 |
| of which credit derivatives | 1,094 | Discounted cash flow | Credit spread, in bp | 1 | 2,037 | 180 |
| | | | Recovery rate, in % | 0 | 77 | 20 |
| | | | Discount rate, in % | 6 | 28 | 14 |
| | | | Default rate, in % | 1 | 19 | 7 |
| | | | Loss severity, in % | 10 | 100 | 56 |
| | | | Correlation, in % | 42 | 97 | 74 |
| | | | Prepayment rate, in % | 0 | 20 | 5 |
| Other | 3,068 | | | | | |
| of which | 2,413 | Market comparable | Price, in % | 0 | 104 | 44 |
| of which | 617 | Discounted cash flow | Market implied life expectancy, in years | 3 | 20 | 9 |
| Trading assets | 13,426 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 1,308 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 316 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,691 | | | | | |
| of which private | 1,691 | | | | | |
| of which | 349 | Discounted cash flow | Contingent probability, in % | 59 | 59 | 59 |
| of which | 955 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Life finance instruments | 1,585 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 4,900 | | | | | |
| Loans | 8,875 | | | | | |
| of which commercial and industrial loans | 6,220 | | | | | |
| of which | 5,164 | Discounted cash flow | Credit spread, in bp | 10 | 2,528 | 412 |
| of which | 844 | Market comparable | Price, in % | 0 | 101 | 86 |
| of which financial institutions | 1,203 | Discounted cash flow | Credit spread, in bp | 115 | 864 | 360 |
| Other intangible assets (mortgage servicing rights) | 55 | – | – | – | – | – |
| Other assets | 6,094 | | | | | |
| of which loans held-for-sale | 5,555 | | | | | |
| of which | 2,042 | Vendor price | Price, in % | 0 | 159 | 100 |
| of which | 813 | Discounted cash flow | Credit spread, in bp | 75 | 1,438 | 288 |
| of which | 2,344 | Market comparable | Price, in % | 0 | 101 | 54 |
| **Total level 3 assets at fair value** | **33,421** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,345 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,630 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,969 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,084** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to “Fair value measurements of investments in certain entities that calculate NAV per share” for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 1Q14 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 58 | – | – | – | – | – |
| Trading liabilities | 4,992 | | | | | |
| of which interest rate derivatives | 1,111 | Option model | Basis spread, in bp | (11) | 107 | 54 |
| | | | Correlation, in % | 17 | 100 | 72 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 8 | 31 | 24 |
| of which foreign exchange derivatives | 816 | Option model | Correlation, in % | (10) | 70 | 46 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,447 | Option model | Correlation, in % | (92) | 98 | 13 |
| | | | Skew, in % | 52 | 130 | 108 |
| | | | Volatility, in % | 3 | 205 | 29 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| of which credit derivatives | 1,198 | Discounted cash flow | Credit spread, in bp | 1 | 1,955 | 201 |
| | | | Discount rate, in % | 5 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 7 |
| | | | Recovery rate, in % | 6 | 77 | 34 |
| | | | Loss severity, in % | 10 | 100 | 61 |
| | | | Correlation, in % | 42 | 98 | 53 |
| | | | Prepayment rate, in % | 0 | 9 | 4 |
| Short-term borrowings | 196 | – | – | – | – | – |
| Long-term debt | 10,502 | | | | | |
| of which structured notes over two years | 7,211 | Option model | Correlation, in % | (92) | 99 | 15 |
| | | | Volatility, in % | 3 | 205 | 27 |
| | | | Buyback probability, in % [3] | 50 | 100 | 63 |
| | | | Gap risk, in % [4] | 0 | 4 | 0 |
| of which non-recourse liabilities | 2,397 | | | | | |
| of which | 2,177 | Vendor price | Price, in % | 0 | 159 | 100 |
| of which | 152 | Market comparable | Price, in % | 0 | 99 | 14 |
| Other liabilities | 3,415 | | | | | |
| of which failed sales | 1,104 | | | | | |
| of which | 978 | Market comparable | Price, in % | 0 | 100 | 73 |
| of which | 63 | Discounted cash flow | Credit spread, in bp | 525 | 1,402 | 1,184 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **19,163** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

**Quantitative information about level 3 liabilities at fair value (continued)**

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,861 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,539** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

### Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates collateral with a greater risk of default.

### Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

### Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

### Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

### Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

### Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

## Fair value measurements of investments in certain entities that calculate NAV per share

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to ten years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

## Fair value, unfunded commitments and term of redemption conditions

| | 1Q14 | | | | 4Q13 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 6 | 95 | 101 | 0 | 1 | 18 | 19 | 0 |
| Equity funds | 31 | 2,119 [1] | 2,150 | 0 | 28 | 3,096 [2] | 3,124 | 0 |
| Equity funds sold short | 0 | (21) | (21) | 0 | 0 | (17) | (17) | 0 |
| Total funds held in trading assets and liabilities | 37 | 2,193 | 2,230 | 0 | 29 | 3,097 | 3,126 | 0 |
| Debt funds | 305 | 119 | 424 | 1 | 320 | 183 | 503 | 6 |
| Equity funds | 0 | 1 | 1 | 0 | 0 | 25 | 25 | 0 |
| Others | 0 | 53 | 53 | 0 | 0 | 153 | 153 | 31 |
| Hedge funds | 305 | 173 [3] | 478 | 1 | 320 | 361 [4] | 681 | 37 |
| Debt funds | 19 | 0 | 19 | 2 | 53 | 0 | 53 | 2 |
| Equity funds | 639 | 0 | 639 | 124 | 2,236 | 0 | 2,236 | 464 |
| Real estate funds | 266 | 0 | 266 | 87 | 350 | 0 | 350 | 110 |
| Others | 384 | 0 | 384 | 123 | 706 | 0 | 706 | 250 |
| Private equities | 1,308 | 0 | 1,308 | 336 | 3,345 | 0 | 3,345 | 826 |
| Equity method investments | 388 | 34 | 422 | 0 | 349 | 0 | 349 | 0 |
| Total funds held in other investments | 2,001 | 207 | 2,208 | 337 | 4,014 | 361 | 4,375 | 863 |
| **Total fair value** | **2,038** [5] | **2,400** [6] | **4,438** | **337** [7] | **4,043** [5] | **3,458** [6] | **7,501** | **863** [7] |

[1] 34% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 30% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 24% is redeemable on an annual basis with a notice period primarily of more than 60 days, and 12% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[2] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

[3] 83% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, and 14% is redeemable on an annual basis with a notice period of more than 60 days.

[4] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.

[5] Includes CHF 686 million and CHF 1,819 million attributable to noncontrolling interests in 1Q14 and 4Q13, respectively.

[6] Includes CHF 116 million and CHF 107 million attributable to noncontrolling interests in 1Q14 and 4Q13, respectively.

[7] Includes CHF 152 million and CHF 405 million attributable to noncontrolling interests in 1Q14 and 4Q13, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

#### Nonrecurring fair value changes

| end of | 1Q14 | 4Q13 |
| --- | --- | --- |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.2** | **0.3** |
| of which level 3 | 0.2 | 0.3 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013 for further information on the Group's election of the fair value option for certain of its financial statement captions.

#### Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| | | | 1Q14 | | | 4Q13 |
| --- | --- | --- | --- | --- | --- | --- |
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 1,182 | 3,692 | (2,510) | 956 | 3,262 | (2,306) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 308 | 304 | 4 | 311 | 307 | 4 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 88,081 | 87,776 | 305 | 96,587 | 96,217 | 370 |
| Loans | 19,980 | 20,256 | (276) | 19,457 | 19,653 | (196) |
| Other assets [1] | 22,246 | 28,814 | (6,568) | 20,749 | 25,756 | (5,007) |
| Due to banks and customer deposits | (684) | (672) | (12) | (690) | (680) | (10) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (70,824) | (70,789) | (35) | (76,104) | (76,012) | (92) |
| Short-term borrowings | (6,305) | (6,211) | (94) | (6,053) | (5,896) | (157) |
| Long-term debt | (64,694) | (64,572) | (122) | (63,369) | (62,991) | (378) |
| Other liabilities | (1,616) | (2,965) | 1,349 | (1,780) | (3,285) | 1,505 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| | 1Q14 | 1Q13 |
|---|---|---|
| in | Net gains/ (losses) | Net gains/ (losses) |
| **Financial instruments (CHF million)** | | |
| Interest-bearing deposits with banks | 2 [1] | 3 [1] |
| of which related to credit risk | (1) | (1) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 215 [1] | 279 [1] |
| Other investments | 80 [3] | (9) [2] |
| of which related to credit risk | 0 | (1) |
| Loans | 248 [1] | 225 [1] |
| of which related to credit risk | (1) | 37 |
| Other assets | 525 [1] | 612 [1] |
| of which related to credit risk | 182 | 162 |
| Due to banks and customer deposits | (9) [2] | (16) [2] |
| of which related to credit risk | (4) | (6) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (11) [1] | 39 [2] |
| Short-term borrowings | (17) [2] | (107) [2] |
| Long-term debt | (918) [2] | (332) [1] |
| of which related to credit risk [4] | (57) | (59) |
| Other liabilities | (5) [2] | 243 [2] |
| of which related to credit risk | (44) | 94 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (92) million and CHF 27 million in 1Q14, respectively, and CHF (37) million and CHF (29) million in 1Q13, respectively.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **1Q14 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 74,810 | 0 | 74,206 | 603 | 74,809 |
| Loans | 227,033 | 0 | 228,882 | 3,436 | 232,318 |
| Other financial assets [1] | 135,240 | 67,849 | 66,167 | 1,613 | 135,629 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 368,221 | 218,437 | 149,691 | 9 | 368,137 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,850 | 0 | 17,850 | 0 | 17,850 |
| Short-term borrowings | 17,876 | 0 | 17,884 | 0 | 17,884 |
| Long-term debt | 67,740 | 0 | 64,880 | 3,992 | 68,872 |
| Other financial liabilities [2] | 91,541 | 0 | 90,476 | 1,104 | 91,580 |
| **4Q13 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,435 | 0 | 62,891 | 544 | 63,435 |
| Loans | 223,902 | 0 | 225,641 | 3,940 | 229,581 |
| Other financial assets [1] | 142,656 | 72,134 | 69,310 | 1,568 | 143,012 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 351,476 | 212,418 | 138,980 | 9 | 351,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 66,673 | 0 | 64,043 | 3,774 | 67,817 |
| Other financial liabilities [2] | 96,611 | 1,129 | 94,414 | 1,085 | 96,628 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 28 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 145,494 | 142,952 |
| of which encumbered | 91,784 | 92,300 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 1Q14 | 4Q13 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 387,020 | 359,517 |
| of which sold or repledged | 293,730 | 267,896 |

## 29 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 38 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2013* and updated in subsequent quarterly reports (including those discussed below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 38 referenced above and updated in quarterly reports (including below) for which the Group believes an estimate is possible is zero to CHF 2.4 billion.

In 1Q14, the Group recorded net litigation provisions of CHF 107 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Mortgage-related matters**

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

#### Individual investor actions

On April 3, 2014, CMFG Life Insurance Company and affiliated entities filed an action against Credit Suisse Securities (USA) LLC (CSS LLC) in the US District Court for the Western District of Wisconsin relating to approximately USD 70 million of RMBS. On April 3, 2014, Texas County and District Retirement System filed an action against CSS LLC and other financial institutions in Texas state court relating to an unstated amount of RMBS at issue. On April 11, 2014, following a settlement, the Minnesota state court presiding in the action brought by Minnesota Life Insurance Company and affiliated entities against CSS LLC and its affiliates entered an order of dismissal, discontinuing all claims against CSS LLC and its affiliates, relating to approximately USD 43 million of RMBS. On April 14, 2014, Allstate Insurance Company and CSS LLC and its affiliates filed a partial stipulation of dismissal with the Supreme Court for the State of New York, New York County to discontinue certain claims against CSS LLC and its affiliates, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 187 million to approximately USD 169 million. On April 29, 2014, the Federal Housing Finance Agency (FHFA) entered into an agreement with First Horizon National Corporation and its affiliates and employees to settle all claims in the last remaining action filed by the FHFA against CSS LLC, relating to approximately USD 230 million of RMBS at issue against CSS LLC.

## 30 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In 4Q13, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and Fed regulation on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

## Condensed consolidating statements of operations

| in 1Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,485 | 2,831 | 4,316 | 38 | 91 | 4,445 |
| Interest expense | (874) | (1,358) | (2,232) | (52) | 17 | (2,267) |
| Net interest income | 611 | 1,473 | 2,084 | (14) | 108 | 2,178 |
| Commissions and fees | 1,054 | 2,174 | 3,228 | (1) | 48 | 3,275 |
| Trading revenues | 504 | 166 | 670 | (11) | (21) | 638 |
| Other revenues | 714 | 55 | 769 | 876 [2] | (907) | 738 |
| **Net revenues** | **2,883** | **3,868** | **6,751** | **850** | **(772)** | **6,829** |
| **Provision for credit losses** | **0** | **19** | **19** | **0** | **15** | **34** |
| Compensation and benefits | 925 | 2,079 | 3,004 | 18 | (29) | 2,993 |
| General and administrative expenses | 468 | 1,238 | 1,706 | (27) | 11 | 1,690 |
| Commission expenses | 56 | 310 | 366 | 0 | 3 | 369 |
| Total other operating expenses | 524 | 1,548 | 2,072 | (27) | 14 | 2,059 |
| **Total operating expenses** | **1,449** | **3,627** | **5,076** | **(9)** | **(15)** | **5,052** |
| **Income/(loss) from continuing operations before taxes** | **1,434** | **222** | **1,656** | **859** | **(772)** | **1,743** |
| Income tax expense/(benefit) | 478 | 46 | 524 | 0 | 19 | 543 |
| **Income/(loss) from continuing operations** | **956** | **176** | **1,132** | **859** | **(791)** | **1,200** |
| Income from discontinued operations, net of tax | 0 | 15 | 15 | 0 | 0 | 15 |
| **Net income/(loss)** | **956** | **191** | **1,147** | **859** | **(791)** | **1,215** |
| Net income/(loss) attributable to noncontrolling interests | 348 | (193) | 155 | 0 | 201 | 356 |
| **Net income/(loss) attributable to shareholders** | **608** | **384** | **992** | **859** | **(992)** | **859** |
| of which from continuing operations | 608 | 369 | 977 | 859 | (992) | 844 |
| of which from discontinued operations | 0 | 15 | 15 | 0 | 0 | 15 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 1Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 956 | 191 | 1,147 | 859 | (791) | 1,215 |
| Gains/(losses) on cash flow hedges | 0 | 9 | 9 | 8 | 0 | 17 |
| Foreign currency translation | (165) | (112) | (277) | 0 | 4 | (273) |
| Unrealized gains/(losses) on securities | 0 | 5 | 5 | 0 | 3 | 8 |
| Actuarial gains/(losses) | 2 | 6 | 8 | 0 | 27 | 35 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (20) | (20) |
| Other comprehensive income/(loss), net of tax | (163) | (92) | (255) | 8 | 14 | (233) |
| **Comprehensive income/(loss)** | **793** | **99** | **892** | **867** | **(777)** | **982** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 323 | (196) | 127 | 0 | 204 | 331 |
| **Comprehensive income/(loss) attributable to shareholders** | **470** | **295** | **765** | **867** | **(981)** | **651** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations

| in 1Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,744 | 2,944 | 4,688 | 14 | 120 | 4,822 |
| Interest expense | (983) | (1,950) | (2,933) | (12) | (71) | (3,016) |
| Net interest income | 761 | 994 | 1,755 | 2 | 49 | 1,806 |
| Commissions and fees | 917 | 2,279 | 3,196 | 2 | 50 | 3,248 |
| Trading revenues | 9 | 1,799 | 1,808 | 0 | 7 | 1,815 |
| Other revenues | 218 | 23 | 241 | 1,275 [2] | (1,296) | 220 |
| **Net revenues** | **1,905** | **5,095** | **7,000** | **1,279** | **(1,190)** | **7,089** |
| **Provision for credit losses** | **0** | **2** | **2** | **0** | **20** | **22** |
| Compensation and benefits | 911 | 2,094 | 3,005 | 14 | (28) | 2,991 |
| General and administrative expenses | 523 | 1,225 | 1,748 | (40) | 24 | 1,732 |
| Commission expenses | 62 | 405 | 467 | 0 | 3 | 470 |
| Total other operating expenses | 585 | 1,630 | 2,215 | (40) | 27 | 2,202 |
| **Total operating expenses** | **1,496** | **3,724** | **5,220** | **(26)** | **(1)** | **5,193** |
| **Income/(loss) from continuing operations before taxes** | **409** | **1,369** | **1,778** | **1,305** | **(1,209)** | **1,874** |
| Income tax expense | 95 | 378 | 473 | 2 | 24 | 499 |
| **Income/(loss) from continuing operations** | **314** | **991** | **1,305** | **1,303** | **(1,233)** | **1,375** |
| Income from discontinued operations, net of tax | 10 | (4) | 6 | 0 | 0 | 6 |
| **Net income/(loss)** | **324** | **987** | **1,311** | **1,303** | **(1,233)** | **1,381** |
| Net income/(loss) attributable to noncontrolling interests | 69 | 146 | 215 | 0 | (137) | 78 |
| **Net income/(loss) attributable to shareholders** | **255** | **841** | **1,096** | **1,303** | **(1,096)** | **1,303** |
| of which from continuing operations | 245 | 845 | 1,090 | 1,303 | (1,096) | 1,297 |
| of which from discontinued operations | 10 | (4) | 6 | 0 | 0 | 6 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 1Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 324 | 987 | 1,311 | 1,303 | (1,233) | 1,381 |
| Gains/(losses) on cash flow hedges | 0 | 4 | 4 | (2) | 0 | 2 |
| Foreign currency translation | 760 | 174 | 934 | 0 | (7) | 927 |
| Unrealized gains/(losses) on securities | 1 | (5) | (4) | 0 | (3) | (7) |
| Actuarial gains/(losses) | 10 | 4 | 14 | 0 | 56 | 70 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (27) | (27) |
| Other comprehensive income/(loss), net of tax | 771 | 177 | 948 | (2) | 19 | 965 |
| **Comprehensive income/(loss)** | **1,095** | **1,164** | **2,259** | **1,301** | **(1,214)** | **2,346** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 191 | 279 | 470 | 0 | (265) | 205 |
| **Comprehensive income/(loss) attributable to shareholders** | **904** | **885** | **1,789** | **1,301** | **(949)** | **2,141** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 1Q14 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,307 | 61,217 | 65,524 | 1,092 | (644) | 65,972 |
| Interest-bearing deposits with banks | 7,701 | (4,074) | 3,627 | 0 | (1,899) | 1,728 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,947 | 34,934 | 162,881 | 0 | 9 | 162,890 |
| Securities received as collateral | 22,234 | 795 | 23,029 | 0 | 0 | 23,029 |
| Trading assets | 76,003 | 161,449 | 237,452 | 0 | (383) | 237,069 |
| Investment securities | 2 | 2,010 | 2,012 | 1,514 | (206) | 3,320 |
| Other investments | 3,041 | 4,620 | 7,661 | 45,157 | (45,012) | 7,806 |
| Net loans | 11,495 | 222,537 | 234,032 | 707 | 15,920 | 250,659 |
| Premises and equipment | 857 | 3,875 | 4,732 | 0 | 194 | 4,926 |
| Goodwill | 653 | 6,424 | 7,077 | 0 | 879 | 7,956 |
| Other intangible assets | 91 | 137 | 228 | 0 | 0 | 228 |
| Brokerage receivables | 25,671 | 23,682 | 49,353 | 0 | 0 | 49,353 |
| Other assets | 17,625 | 43,150 | 60,775 | 289 | 1,341 | 62,405 |
| Assets of discontinued operations held-for-sale | 0 | 749 | 749 | 0 | 0 | 749 |
| **Total assets** | **297,627** | **561,505** | **859,132** | **48,759** | **(29,801)** | **878,090** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 294 | 24,216 | 24,510 | 2,518 | (2,817) | 24,211 |
| Customer deposits | 1 | 337,233 | 337,234 | 0 | 11,216 | 348,450 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 96,758 | (8,083) | 88,675 | 0 | 0 | 88,675 |
| Obligation to return securities received as collateral | 22,234 | 795 | 23,029 | 0 | 0 | 23,029 |
| Trading liabilities | 14,146 | 59,110 | 73,256 | 0 | (227) | 73,029 |
| Short-term borrowings | 43,611 | (19,430) | 24,181 | 0 | 0 | 24,181 |
| Long-term debt | 32,671 | 94,204 | 126,875 | 2,840 | 2,719 | 132,434 |
| Brokerage payables | 56,733 | 13,517 | 70,250 | 0 | 0 | 70,250 |
| Other liabilities | 10,771 | 37,524 | 48,295 | 171 | 302 | 48,768 |
| Liabilities of discontinued operations held-for-sale | 0 | 781 | 781 | 0 | 0 | 781 |
| **Total liabilities** | **277,219** | **539,867** | **817,086** | **5,529** | **11,193** | **833,808** |
| **Total shareholders' equity** | **19,216** | **21,846** | **41,062** | **43,230** | **(41,062)** | **43,230** |
| Noncontrolling interests | 1,192 | (208) | 984 | 0 | 68 | 1,052 |
| **Total equity** | **20,408** | **21,638** | **42,046** | **43,230** | **(40,994)** | **44,282** |
| **Total liabilities and equity** | **297,627** | **561,505** | **859,132** | **48,759** | **(29,801)** | **878,090** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| Interest-bearing deposits with banks | 81 | 3,304 | 3,385 | 0 | (1,870) | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,153 | 32,860 | 160,013 | 0 | 9 | 160,022 |
| Securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading assets | 73,580 | 156,156 | 229,736 | 0 | (323) | 229,413 |
| Investment securities | 2 | 1,625 | 1,627 | 1,481 | (121) | 2,987 |
| Other investments | 5,116 | 5,091 | 10,207 | 42,570 | (42,448) | 10,329 |
| Net loans | 19,955 | 211,202 | 231,157 | 3,185 | 12,712 | 247,054 |
| Premises and equipment | 891 | 4,004 | 4,895 | 0 | 196 | 5,091 |
| Goodwill | 658 | 6,463 | 7,121 | 0 | 878 | 7,999 |
| Other intangible assets | 78 | 132 | 210 | 0 | 0 | 210 |
| Brokerage receivables | 25,667 | 26,377 | 52,044 | 0 | 1 | 52,045 |
| Other assets | 18,104 | 43,452 | 61,556 | 243 | 1,266 | 63,065 |
| Assets of discontinued operations held-for-sale | 11 | 1,573 | 1,584 | 0 | 0 | 1,584 |
| **Total assets** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 251 | 22,896 | 23,147 | 3,242 | (3,281) | 23,108 |
| Customer deposits | 1 | 321,850 | 321,851 | 0 | 11,238 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 98,600 | (4,568) | 94,032 | 0 | 0 | 94,032 |
| Obligation to return securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading liabilities | 14,304 | 62,508 | 76,812 | 0 | (177) | 76,635 |
| Short-term borrowings | 42,842 | (22,649) | 20,193 | 0 | 0 | 20,193 |
| Long-term debt | 31,300 | 95,341 | 126,641 | 2,784 | 617 | 130,042 |
| Brokerage payables | 55,749 | 17,405 | 73,154 | 0 | 0 | 73,154 |
| Other liabilities | 11,284 | 39,795 | 51,079 | 84 | 284 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 19 | 1,121 | 1,140 | 0 | 0 | 1,140 |
| **Total liabilities** | **277,829** | **533,020** | **810,849** | **6,110** | **8,681** | **825,640** |
| **Total shareholders' equity** | **18,583** | **21,409** | **39,992** | **42,164** | **(39,992)** | **42,164** |
| Noncontrolling interests | 3,150 | 421 | 3,571 | 0 | 1,431 | 5,002 |
| **Total equity** | **21,733** | **21,830** | **43,563** | **42,164** | **(38,561)** | **47,166** |
| **Total liabilities and equity** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |

[1] Includes eliminations and consolidation adjustments.

# List of abbreviations

| | |
|---|---|
| **A** | |
| ABS | Asset-Backed Securities |
| ADS | American Depositary Share |
| AMA | Advanced Measurement Approach |
| AMF | Asset Management Finance LLC |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| **B** | |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |
| **C** | |
| CCA | Contingent Capital Awards |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFIG | Customized Fund Investment Group |
| CFTC | Commodity Futures Trading Commission |
| CIFG | CIFG Assurance North America, Inc. |
| CMBS | Commercial mortgage-backed securities |
| COF | Capital Opportunity Facility |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CRD | Capital Requirement Directive IV |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |
| **D** | |
| DOJ | US Department of Justice |
| DVA | Debit valuation adjustment |
| **E** | |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| ETF | Exchange-traded funds |
| EU | European Union |
| **F** | |
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FHFA | Federal Housing Finance Agency |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FMIA | Financial Market Infrastructure Act |
| FSB | Financial Stability Board |
| **G** | |
| G-7 | Group of seven leading industry nations |
| GSE | Government-sponsored enterprise |
| G-SIB | Global systemically important banks |
| **I** | |
| IHC | Intermediate holding company |
| IPO | Initial public offering |
| IRC | Incremental risk charge |
| ISDA | International Swaps and Derivatives Association, Inc. |
| ISU | Incentive Share Unit |
| **K** | |
| KPI | Key performance indicator |
| **L** | |
| LCR | Liquidity coverage ratio |
| **M** | |
| MACCS | Mandatory and contingent convertible securities |
| M&A | Mergers and acquisitions |
| **N** | |
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| **O** | |
| OTC | Over-the-counter |
| **P** | |
| PAF2 | 2011 Partner Asset Facility |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |
| **Q** | |
| QoQ | Quarter on quarter |
| **R** | |
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |
| **S** | |
| SCNY | Supreme Court of the State of New York, New York County |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SISU | Scaled Incentive Share Unit |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single Premium Immediate Annuity |
| **T** | |
| TRS | Total return swap |
| **U** | |
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |
| **V** | |
| VaR | Value-at-risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |
| **Y** | |
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| | 1Q14 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| in / end of | | | | |
| **Share price (common shares, CHF)** | | | | |
| Average | 28.04 | 26.74 | 21.23 | 31.43 |
| Minimum | 26.56 | 22.90 | 16.01 | 19.65 |
| Maximum | 30.08 | 30.29 | 27.20 | 44.99 |
| End of period | 28.59 | 27.27 | 22.26 | 22.07 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 31.33 | 28.85 | 22.70 | 35.36 |
| Minimum | 29.34 | 24.56 | 16.20 | 21.20 |
| Maximum | 33.19 | 33.84 | 29.69 | 47.63 |
| End of period | 32.38 | 30.84 | 24.56 | 23.48 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 45,633 | 43,526 | 29,402 | 27,021 |
| Market capitalization (USD million) | 51,682 | 49,224 | 32,440 | 28,747 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | – | 0.70 [1] | 0.75 [2, 4] | 0.75 [3, 4] |

1 Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
2 The distribution was payable in cash of CHF 0.10 per share and in the form of new shares with an approximate value of CHF 0.65 per share.
3 The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.
4 Paid out of reserves from capital contributions.

## Ticker symbols / stock exchange listings

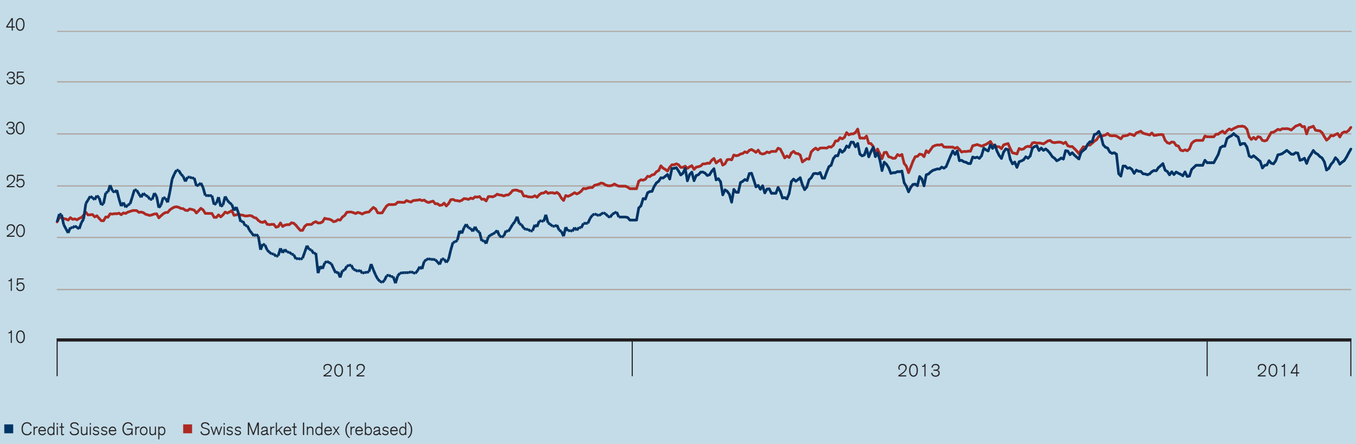
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| Telekurs | CSGN,380 | CS,065 |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

1 One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of April 30, 2014 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | A2 | A- | A |
| Outlook | Stable | Negative | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A1 | A | A |
| Outlook | Stable | Negative | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| Second quarter 2014 results | Thursday, July 17, 2014 |
| Third quarter 2014 results | Thursday, October 23, 2014 |
| **Investor relations** | |
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |
| **Media relations** | |
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |
| **Additional information** | |
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | Dept. HKG 1 |
| | P.O. Box |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 800 937 5449 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |
| **Swiss share register and transfer agent** | |
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 26 60 |
| E-Mail | robert.rohner@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | Average in | | |
|---|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| 1 USD / 1 CHF | 0.88 | 0.89 | 0.95 | 0.89 | 0.90 | 0.92 |
| 1 EUR / 1 CHF | 1.22 | 1.23 | 1.22 | 1.22 | 1.23 | 1.22 |
| 1 GBP / 1 CHF | 1.47 | 1.47 | 1.44 | 1.48 | 1.47 | 1.44 |
| 100 JPY / 1 CHF | 0.86 | 0.85 | 1.01 | 0.87 | 0.90 | 1.01 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2013.



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Our 2013 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile, is available on our website www.credit-suisse.com/investors.

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5520124 English

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

## Form 6-K

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

April 16, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

# Introduction

This report filed on Form 6-K contains certain information about Credit Suisse AG (Bank) relating to its results as of and for the three months ended March 31, 2014. On April 16, 2014, Credit Suisse Group AG (Group) announced its results for such three month period. A copy of the related Earnings Release is attached as an exhibit to this Form 6-K.

This Form 6-K (including the exhibit hereto) is hereby (i) incorporated by reference into the Registration Statement on Form F-3 (file no. 333-180300) and (ii) shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended except, in the case of both (i) and (ii), the information on page 2 of the Earnings Release.

The 1Q14 Credit Suisse Financial Report as of and for the three months ended March 31, 2014 will be published on or about May 2, 2014.

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

References herein to "CHF" are to Swiss francs.

# Key information

# Selected financial data

## Selected operations statement information

| in | 1Q14 | 1Q13 | % change |
|---|---|---|---|
| **Statements of operations (CHF million)** | | | |
| **Net revenues** | **6,751** | **7,000** | (4) |
| **Provision for credit losses** | **19** | **2** | – |
| Compensation and benefits | 3,004 | 3,005 | 0 |
| General and administrative expenses | 1,706 | 1,748 | (2) |
| Commission expenses | 366 | 467 | (22) |
| Total other operating expenses | 2,072 | 2,215 | (6) |
| **Total operating expenses** | **5,076** | **5,220** | (3) |
| **Income from continuing operations before taxes** | **1,656** | **1,778** | (7) |
| Income tax expense | 524 | 473 | 11 |
| **Income from continuing operations** | **1,132** | **1,305** | (13) |
| Income from discontinued operations, net of tax | 15 | 6 | 150 |
| **Net income** | **1,147** | **1,311** | (13) |
| Net income/(loss) attributable to noncontrolling interests | 155 | 215 | (28) |
| **Net income attributable to shareholders** | **992** | **1,096** | (9) |
| of which from continuing operations | 977 | 1,090 | (10) |
| of which from discontinued operations | 15 | 6 | 150 |

## Selected balance sheet information

| end of | 1Q14 | 4Q13 | % change |
|---|---|---|---|
| **Balance sheet statistics (CHF million)** | | | |
| Total assets | 859,132 | 854,412 | 1 |
| Share capital | 4,400 | 4,400 | 0 |

## BIS statistics (Basel III)

| end of | 1Q14 | 4Q13 | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 37,129 | 38,028 | (2) |
| Total tier 1 capital | 40,673 | 41,105 | (1) |
| Total eligible capital | 50,113 | 52,066 | (4) |
| **Capital ratios (%)** | | | |
| CET1 ratio | 13.4 | 14.4 | – |
| Tier 1 ratio | 14.7 | 15.6 | – |
| Total capital ratio | 18.1 | 19.7 | – |

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | | Bank | | Group |
|---|---|---|---|---|
| in | **1Q14** | 1Q13 | **1Q14** | 1Q13 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 6,751 | 7,000 | 6,829 | 7,089 |
| Total operating expenses | 5,076 | 5,220 | 5,052 | 5,193 |
| Income from continuing operations before taxes | 1,656 | 1,778 | 1,743 | 1,874 |
| Income from continuing operations | 1,132 | 1,305 | 1,200 | 1,375 |
| Net income attributable to shareholders | 992 | 1,096 | 859 | 1,303 |
| of which from continuing operations | 977 | 1,090 | 844 | 1,297 |

## Comparison of selected balance sheet information

| | | Bank | | Group |
|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | **1Q14** | 4Q13 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 859,132 | 854,412 | 878,090 | 872,806 |
| Total liabilities | 817,086 | 810,849 | 833,808 | 825,640 |

# Exhibits

**No. Description**

99.1 Credit Suisse Earnings Release 1Q14

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: April 16, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

CREDIT SUISSE

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# Earnings Release

## Credit Suisse 1Q14 Core pre-tax income of CHF 1,940 million for strategic businesses; reported Core pre-tax income of CHF 1,400 million

## Return on equity of 14% for strategic businesses; reported return on equity of 8%

## Strong performance in Private Banking & Wealth Management with increased pre-tax income of CHF 1,012 million; lower expenses and substantial asset inflows with strategic net new assets of CHF 16 billion and total net new assets of CHF 13.7 billion

## Solid returns in Investment Banking with pre-tax income of CHF 827 million; strong performance in key businesses

**Improved profitability in Private Banking & Wealth Management:**
- Total reported pre-tax income of CHF 1,012 million; good profitability in strategic businesses with pre-tax income of CHF 965 million, up 28% compared to 1Q13, and a return on capital of 33%
- Significantly increased cost efficiency, with improved cost/income ratio of 68% compared to 72% in 1Q13
- Improved Wealth Management Clients net margin to 29 basis points from 23 basis points in 4Q13
- Strong net new assets from strategic businesses of CHF 16.0 billion and total net new assets of CHF 13.7 billion in Private Banking & Wealth Management, with continued strong inflows in Wealth Management Clients from Asia Pacific and Switzerland, and in Asset Management in alternative investments and index strategies

**Solid returns in Investment Banking:**
- Total reported pre-tax income of CHF 827 million amid challenging market conditions
- Strategic businesses with pre-tax income of CHF 1,124 million; strategic return on capital of 21%
- Strong performance in key businesses including securitized products, credit, underwriting and advisory and solid equities results, offset by significantly reduced first quarter seasonal contribution from rates and certain emerging markets than experienced in previous years

**Resilient capital base and leverage ratio:**
- Look-through Basel III CET1 ratio at 10.0% as of the end of 1Q14; Look-through Basel III total capital ratio at 15.1% as of end of 1Q14; strong capital position notwithstanding impact of progress in resolving litigation matters in 4Q13 and external methodology uplifts to risk-weighted assets of CHF 13.5 billion in 1Q14
- Leverage exposure at CHF 1,140 billion as of end of 1Q14; phase-in Swiss leverage ratio of 4.8% as of the end of 1Q14; Look-through Swiss leverage ratio of 3.7% as of end of 1Q14, within reach of the 2019 requirement of 4%

**Continued progress toward cost reduction targets:**
- Delivered CHF 3.4 billion of adjusted annualized savings; maintaining momentum towards target of over CHF 4.5 billion by end 2015

**On track to achieve targeted run-off of non-strategic units:**
- Leverage reduction of CHF 11 billion and risk-weighted asset reduction of CHF 4 billion for the non-strategic portfolio, excluding adjustments for methodology changes
- Progress in resolving key legacy litigation issues in 2014 to date; continued focus on resolving the US tax matter with the United States Department of Justice

April 16, 2014 **Credit Suisse Group reports 1Q14 results.**

Brady W. Dougan, Chief Executive Officer, said**:** "For the first quarter, we achieved a return on equity of 14% in our strategic businesses, well within reach of our 15% through-the-cycle target. This strong performance was driven by significantly improved profitability in Private Banking & Wealth Management, solid returns in Investment Banking and continued effective cost and capital management. We saw continued momentum with clients across many of our key businesses, including the highest net asset inflows in our strategic businesses since the first quarter of 2011 and a meaningful increase in the share of assets under management from ultra-high-net-worth clients."

Commenting on Private Banking & Wealth Management, he said: "We substantially improved the profitability of our strategic businesses in the quarter, with an increase in pre-tax income of 28% compared to the prior-year quarter. The Wealth Management Clients business increased its net margin to 29 basis points from 23 basis points in the prior-year quarter and increased the share of assets under management from ultra-high-net-worth clients to 46% in the first quarter from 43% a year ago. Corporate & Institutional Clients continued to make a strong contribution to the division's overall performance, and Asset Management more than doubled its pre-tax income compared to the first quarter of 2013 as a result of its more focused approach. In Private Banking & Wealth Management, we recorded net new assets from strategic businesses of CHF 16.0 billion in the quarter. These inflows reflect our strength in key emerging markets within Asia Pacific, which grew at a 17% annualized rate, Latin America and the Middle East, our strong position in our Swiss home market as well as significant inflows in alternative investments and index strategies within our Asset Management business."

Commenting on Investment Banking, he said: "Our Investment Banking results demonstrate the strength of our diversified franchise, with our strategic businesses reporting a return on capital of 21%. We saw strong performance in securitized products, credit and underwriting and advisory, as well as solid results in equities. At the same time, the first quarter seasonal contribution from our rates and certain emerging markets businesses was significantly lower compared to prior years. We further expanded our strong market share position in equities and saw good momentum with clients in our underwriting and advisory franchises."

Commenting on strategic progress, he added: "We continued to optimize resource allocation to grow our high-returning businesses, particularly in Private Banking & Wealth Management, and made progress in winding down positions in our non-strategic units. At the same time, we maintained resilient leverage and capital positions and remain on track to meet our long-term targets, notwithstanding methodology changes which increased risk-weighted assets in the quarter. We also made good progress toward resolving legacy litigation matters and on increasing the efficiency of our operations. Given all of these positive developments and progress in our strategy execution, our intention remains to deliver cash returns to our shareholders at or above 2013 levels."

## Core Results summary

For additional information on financial information presented in this Earnings Release, including references to return on equity and return on capital, refer to the tabular disclosures in the Appendix and other explanatory disclosures regarding capital and leverage metrics in the section titled "Important information" on page 16.

### Core Results highlights

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Reported results (CHF million)** | | | | | |
| **Net revenues** | **6,469** | **5,920** | **7,018** | 9 | (8) |
| **Provision for credit losses** | **34** | **53** | **22** | (36) | 55 |
| **Total operating expenses** | **5,035** | **6,396** | **5,191** | (21) | (3) |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | – | (22) |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | – | (34) |
| **Metrics (%)** | | | | | |
| Return on capital | 14.4 | – | 18.2 | – | – |
| Cost/income ratio | 77.8 | 108.0 | 74.0 | – | – |
| **Strategic results (CHF million)** | | | | | |
| **Net revenues** | **6,553** | **6,038** | **7,018** | 9 | (7) |
| **Provision for credit losses** | **18** | **36** | **16** | (50) | 13 |
| **Total operating expenses** | **4,595** | **4,554** | **4,795** | 1 | (4) |
| **Income from continuing operations before taxes** | **1,940** | **1,448** | **2,207** | 34 | (12) |
| **Net income attributable to shareholders** | **1,398** | **1,062** | **1,579** | 32 | (11) |
| **Metrics (%)** | | | | | |
| Return on capital | 21.8 | 16.5 | 24.7 | – | – |
| Cost/income ratio | 70.1 | 75.4 | 68.3 | – | – |
| **Non-strategic results (CHF million)** | | | | | |
| **Net revenues** | **(84)** | **(118)** | **0** | (29) | – |
| **Provision for credit losses** | **16** | **17** | **6** | (6) | 167 |
| **Total operating expenses** | **440** | **1,842** | **396** | (76) | 11 |
| **Loss from continuing operations before taxes** | **(540)** | **(1,977)** | **(402)** | (73) | 34 |
| **Net loss attributable to shareholders** | **(539)** | **(1,538)** | **(276)** | (65) | 95 |

Core Results do not include noncontrolling interests without significant economic interests.

**Net income attributable to shareholders** was CHF 859 million in 1Q14.

**Income before taxes** of CHF 1,400 million decreased 22% compared to 1Q13, reflecting an 8% decrease in net revenues, partially offset by a 3% decrease in total operating expenses. In strategic businesses, pre-tax income of CHF 1,940 million decreased 12% compared to 1Q13, and in non-strategic businesses pre-tax losses of CHF 540 million increased 34%.

**Net revenues** of CHF 6,469 million decreased 8% compared to 1Q13. In the strategic businesses, net revenues declined 7% to CHF 6,553 million compared to 1Q13, with stable revenues in Private Banking & Wealth Management and lower revenues in Investment Banking. In the non-strategic businesses, negative net revenues were CHF 84 million in 1Q14 compared to no revenues in 1Q13.

**Provision for credit losses** of CHF 34 million in 1Q14, primarily reflected net provisions in Private Banking & Wealth Management.

**Total operating expenses** of CHF 5,035 million were down 3% compared to 1Q13, primarily reflecting lower commission expenses and 2% lower general and administrative expenses. In strategic businesses, total operating expenses of CHF 4,595 million decreased 4% compared to 1Q13, mainly reflecting a 7% decline in general and administrative expenses. In non-strategic businesses total operating expenses of CHF 440 million increased 11% compared to 1Q13, primarily reflecting a 32% increase in general and administrative expenses. In 1Q14, Credit Suisse recorded net litigation provisions of CHF 107 million. Business realignment costs recognized in the Corporate Center in 1Q14 were CHF 62 million.

**Income tax expense** of CHF 543 million recorded in 1Q14 reflected the impact of the geographical mix of results and the impact of a New York state tax law change of CHF 151 million. Overall, net deferred tax assets decreased CHF 535 million to CHF 5,256 million as of the end of 1Q14 compared to 4Q13. Deferred tax assets on net operating losses increased CHF 56 million to CHF 1,436 million during 1Q14. The Core Results effective tax rate was 38.8% in 1Q14, compared to 11.9% in 4Q13. Excluding the impact of the New York state tax law change, the Core Results effective tax rate for 1Q14 was 28.0%.

**Diluted earnings per share from continuing operations** were CHF 0.47 for 1Q14 compared to CHF 0.75 in 1Q13 and compared to a loss per share of CHF 0.37 in 4Q13. As of the end of 1Q14, Credit Suisse had 1,596.1 million shares issued, unchanged from the end of 4Q13.

**Capital and leverage.** As of the end of 1Q14, Credit Suisse reported a Look-through Basel III common equity tier 1 (CET1) ratio of 10.0%, unchanged compared to the end of 4Q13. As of the end of 1Q14, the Look-through Basel III total capital ratio was 15.1%, unchanged from the end of 4Q13.

The Basel III CET1 ratio as of the end of 1Q14 was 14.3%, compared to 15.7% as of the end of 4Q13, reflecting a decrease in CET1 capital and an increase in risk-weighted assets. Basel III risk-weighted assets for the Group increased 4%, from CHF 273.8 billion as of the end of 4Q13 to CHF 286.0 billion as of the end of 1Q14, reflecting increases from methodology and policy changes partially offset by business reductions.

As of the end of 1Q14, Credit Suisse's leverage exposure amounted to CHF 1,140 billion, compared to an updated long-term target of approximately CHF 1,000 billion. The Look-through Swiss leverage ratio was 3.7% as of the end of 1Q14, compared to the 4% requirement for 2019.

**Benefits of the integrated bank.** In 1Q14, Credit Suisse generated CHF 1.0 billion of collaboration revenues from the integrated bank. This corresponds to 15.9% of Core net revenues in 1Q14.

## Private Banking & Wealth Management

In 1Q14, Private Banking & Wealth Management reported income before taxes of CHF 1,012 million and net revenues of CHF 3,240 million. In its strategic businesses, Private Banking & Wealth Management reported income before taxes of CHF 965 million and net revenues of CHF 3,031 million. Net revenues were lower compared to 4Q13 mainly due to seasonally higher fourth-quarter transaction- and performance-based revenues and lower net interest income. Compared to 1Q13, income before taxes increased 28%, driven by lower operating expenses. In its non-strategic businesses, Private Banking & Wealth Management reported income before taxes of CHF 47 million, while in 4Q13, it reported losses before taxes of CHF 624 million, reflecting substantial litigation provisions in connection with the US tax matter. In 1Q14, assets under management for the division were CHF 1,292.5 billion and the division attracted net new assets of CHF 13.7 billion.

### Private Banking & Wealth Management

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Reported results (CHF million)** | | | | | |
| **Net revenues** | **3,240** | **3,429** | **3,278** | (6) | (1) |
| **Provision for credit losses** | **33** | **44** | **28** | (25) | 18 |
| Compensation and benefits | 1,290 | 1,314 | 1,379 | (2) | (6) |
| Total other operating expenses | 905 | 1,647 | 990 | (45) | (9) |
| **Total operating expenses** | **2,195** | **2,961** | **2,369** | (26) | (7) |
| **Income before taxes** | **1,012** | **424** | **881** | 139 | 15 |
| **Metrics (%)** | | | | | |
| Return on capital | 32.3 | 13.9 | 29.8 | – | – |
| Cost/income ratio | 67.7 | 86.4 | 72.3 | – | – |

## Strategic results

*Private Banking & Wealth Management's strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.*

### Private Banking & Wealth Management – strategic results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Strategic results (CHF million)** | | | | | |
| Net interest income | 963 | 1,038 | 1,019 | (7) | (5) |
| Recurring commissions and fees | 1,139 | 1,149 | 1,101 | (1) | 3 |
| Transaction- and performance-based revenues | 919 | 1,137 | 874 | (19) | 5 |
| Other revenues | 10 | (64) | 14 | – | (29) |
| **Net revenues** | **3,031** | **3,260** | **3,008** | (7) | 1 |
| **Provision for credit losses** | **17** | **27** | **23** | (37) | (26) |
| **Total operating expenses** | **2,049** | **2,185** | **2,229** | (6) | (8) |
| **Income before taxes** | **965** | **1,048** | **756** | (8) | 28 |
| **Metrics (%)** | | | | | |
| Return on capital | 33.0 | 36.8 | 27.7 | – | – |
| Cost/income ratio | 67.6 | 67.0 | 74.1 | – | – |

In 1Q14, the strategic businesses for Private Banking & Wealth Management reported income before taxes of CHF 965 million and net revenues of CHF 3,031 million.

Net revenues were stable compared to 1Q13 as higher transaction- and performance-based revenues and higher recurring commissions and fees were offset by lower net interest income and lower other revenues. Transaction- and performance-based revenues were higher with higher carried interest on realized private equity gains and higher corporate advisory fees, partially offset by lower sales and trading income and lower foreign exchange client business. Higher recurring commissions and fees reflected higher investment account and services fees, higher discretionary mandate management fees and higher banking services fees, partially offset by lower investment product management fees. In a low interest rate environment, net interest income was lower due to significantly lower deposit margins and slightly higher loan margins on higher average deposit and loan volumes.

Compared to 4Q13, net revenues were 7% lower, reflecting significantly lower transaction- and performance-based revenues and lower net interest income, partially offset by higher other revenues. Significantly lower transaction- and performance-based revenues reflected seasonally higher performance fees in Asset Management in 4Q13, partially offset by higher brokerage and product issuing fees and higher sales and trading income in 1Q14. Lower net interest income reflected lower deposit margins on stable average deposit volumes and slightly higher loan margins on slightly higher loan volumes. Higher other revenues mainly reflected an impairment related to Asset Management Finance LLC (AMF) in 4Q13. Stable recurring commissions and fees mainly reflected lower asset management fees and lower investment product management fees, offset by higher banking services fees and higher discretionary mandate management fees.

Provision for credit losses was CHF 17 million.

Total operating expenses were lower compared to both 1Q13 and 4Q13. Compared to 1Q13, compensation and benefits decreased 6%, mainly reflecting lower salary expenses, mostly as a result of the lower headcount, and general and administrative expenses decreased 10%, primarily reflecting lower expense provisions and lower occupancy fees. Compared to 4Q13, compensation and benefits were stable as slightly lower discretionary performance-related compensation and lower salary expenses were offset by slightly higher deferred compensation. General and administrative expenses decreased 12%, primarily reflecting lower professional fees, lower expense provisions and lower advertising and marketing costs.

The cost/income ratio for strategic results was 68% in 1Q14, down seven percentage points compared to 1Q13 and up one percentage point compared to 4Q13.

### Wealth Management Clients

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Strategic results (CHF million)** | | | | | |
| Net interest income | 706 | 760 | 746 | (7) | (5) |
| Recurring commissions and fees | 730 | 742 | 717 | (2) | 2 |
| Transaction- and performance-based revenues | 638 | 554 | 624 | 15 | 2 |
| **Net revenues** | **2,074** | **2,056** | **2,087** | 1 | (1) |
| **Provision for credit losses** | **16** | **18** | **19** | (11) | (16) |
| **Total operating expenses** | **1,480** | **1,572** | **1,614** | (6) | (8) |
| **Income before taxes** | **578** | **466** | **454** | 24 | 27 |
| **Metrics (%)** | | | | | |
| Cost/income ratio | 71.4 | 76.5 | 77.3 | – | – |

The *Wealth Management Clients* business in 1Q14 reported pre-tax income of CHF 578 million and net revenues of CHF 2,074 million. Net revenues were stable compared to 1Q13, with lower net interest income, partially offset by slightly higher recurring commissions and fees and slightly higher transaction- and performance-based revenues. Lower net interest income reflected the low interest rate environment, significantly lower deposit margins and stable loan margins on higher average deposit and loan volumes and lower levels of deposits eligible as stable funding. Recurring commissions and fees were slightly higher with higher investment account and services fees and higher discretionary mandate management fees, partially offset by lower investment product management fees, including lower retrocession revenues. Transaction- and performance-based revenues increased slightly, reflecting higher corporate advisory fees and higher placement and transaction fees, partially offset by lower foreign exchange client business.

Compared to 4Q13, net revenues were stable, with a 15% increase in transaction- and performance-based revenues offset by a 7% decline in net interest income and a slight decrease in recurring commissions and fees. The increase in transaction- and performance-based revenues was driven by higher brokerage and product issuing fees and higher sales and trading revenues, partially offset by lower performance fees. Lower net interest income reflected lower deposit margins and slightly higher loan margins on stable average deposit and loan volumes. Recurring commissions and fees were slightly lower with lower investment product management fees, partially offset by higher discretionary mandate management fees.

In 1Q14, the gross margin was 104 basis points, three basis points lower compared to 1Q13, mainly reflecting a continued adverse interest rate environment. Compared to 4Q13, the gross margin was stable, with higher transaction- and performance-based revenues offset by lower net interest income.

Wealth Management Clients net margin was 29 basis points in 1Q14, six basis points higher compared to 1Q13 and six basis points higher compared to 4Q13, reflecting a lower expense base.

## Corporate & Institutional Clients

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Strategic results (CHF million)** | | | | | |
| Net interest income | 257 | 278 | 273 | (8) | (6) |
| Recurring commissions and fees | 122 | 108 | 111 | 13 | 10 |
| Transaction- and performance-based revenues | 117 | 102 | 121 | 15 | (3) |
| Other revenues | (4) | (3) | (5) | 33 | (20) |
| **Net revenues** | **492** | **485** | **500** | 1 | (2) |
| **Provision for credit losses** | **1** | **9** | **4** | (89) | (75) |
| **Total operating expenses** | **245** | **263** | **257** | (7) | (5) |
| **Income before taxes** | **246** | **213** | **239** | 15 | 3 |
| **Metrics (%)** | | | | | |
| Cost/income ratio | 49.8 | 54.2 | 51.4 | – | – |

The *Corporate & Institutional Clients* business reported pre-tax income of CHF 246 million in 1Q14 and net revenues of CHF 492 million. Net revenues were slightly lower compared to 1Q13, mainly driven by lower net interest income as a result of the low interest rate environment, and slightly lower transaction- and performance-based revenues, partially offset by a 10% increase in recurring commissions and fees. The increase in recurring commissions and fees primarily reflected higher banking services fees.

Compared to 4Q13, net revenues were stable, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by an 8% decline in net interest income. Higher transaction- and performance-based revenues reflected higher sales and trading revenues, higher brokerage and product issuing fees and higher corporate advisory fees. The increase in recurring commissions and fees primarily reflected higher banking services fees, partially offset by lower investment account and services fees.

### Asset Management

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Strategic results (CHF million)** | | | | | |
| Recurring commissions and fees | 287 | 299 | 273 | (4) | 5 |
| Transaction- and performance-based revenues | 164 | 481 | 129 | (66) | 27 |
| Other revenues | 14 | (61) | 19 | – | (26) |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| of which fee-based revenues | 438 | 769 | 387 | (43) | 13 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **324** | **350** | **358** | (7) | (9) |
| **Income before taxes** | **141** | **369** | **63** | (62) | 124 |
| **Metrics (%)** | | | | | |
| Cost/income ratio | 69.7 | 48.7 | 85.0 | – | – |

The *Asset Management* business reported pre-tax income of CHF 141 million in 1Q14, with net revenues of CHF 465 million. Net revenues increased 10% compared to 1Q13, with fee-based revenues increasing 13%, reflecting higher carried interest on realized private equity gains and higher asset management fees. Net revenues declined 35% compared to 4Q13, with lower fee-based revenues from seasonally lower performance fees and private equity placement fees, partially offset by an impairment of CHF 68 million relating to AMF in 4Q13.

The fee-based margin was 49 basis points in 1Q14, compared to 46 basis points in 1Q13 and 87 basis points in 4Q13, primarily reflecting the movements in fee-based revenues. Average assets under management increased 6.2% and 1.3% compared to 1Q13 and 4Q13, respectively.

## Non-strategic results

*The non-strategic results for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to the small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring of the German onshore operations, other smaller non-strategic positions formerly in the Corporate & Institutional Clients business and the run-off and active reduction of selected products.*

### Private Banking & Wealth Management – non-strategic results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Non-strategic results (CHF million)** | | | | | |
| **Net revenues** | **209** | **169** | **270** | 24 | (23) |
| **Provision for credit losses** | **16** | **17** | **5** | (6) | 220 |
| **Total operating expenses** | **146** | **776** | **140** | (81) | 4 |
| **Income/(loss) before taxes** | **47** | **(624)** | **125** | – | (62) |
| **Metrics (%)** | | | | | |
| Cost/income ratio | 69.9 | 459.2 | 51.9 | – | – |

In 1Q14, the non-strategic businesses reported income before taxes of CHF 47 million, including an equity participation gain of CHF 91 million from the sale in January 2014 of Customized Fund Investment Group, the division's private equity fund of funds and co-investment business. In 4Q13, Private Banking & Wealth Management's non-strategic businesses reported a loss before taxes of CHF 624 million, reflecting litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014.

## Assets under management – Private Banking & Wealth Management

**Assets under management** of CHF 1,292.5 billion increased CHF 10.1 billion compared to the end of 4Q13, as net new assets and positive market movements were partially offset by structural effects mostly arising from disposals of businesses in the non-strategic unit, and adverse foreign exchange-related movements.

**Net new assets:** Private Banking & Wealth Management recorded net new assets of CHF 13.7 billion in 1Q14. In the strategic portfolio, Wealth Management Clients contributed net new assets of CHF 10.6 billion in 1Q14 with continued strong inflows from emerging markets, particularly in Asia Pacific, partially offset by Western European cross-border outflows. Asset Management reported net new assets of CHF 6.9 billion in 1Q14, driven by inflows in credit products and traditional products, with substantial contribution from index strategies, partially offset by net asset outflows in fixed income products. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 0.4 billion in 1Q14. In the non-strategic portfolio, net asset outflows of CHF 2.3 billion reflected the exit of certain businesses, of which CHF 1.0 billion were classified as discontinued operations.

### Assets under management – Private Banking & Wealth Management

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management by business (CHF billion)** | | | | | |
| Wealth Management Clients | 804.9 | 790.7 | 794.4 | 1.8 | 1.3 |
| Corporate & Institutional Clients | 254.4 | 250.0 | 238.7 | 1.8 | 6.6 |
| Asset Management | 363.4 | 352.3 | 347.0 | 3.2 | 4.7 |
| Non-strategic | 25.9 | 44.4 | 85.4 | (41.7) | (69.7) |
| Assets managed across businesses | (156.1) | (155.0) | (153.9) | 0.7 | 1.4 |
| **Assets under management** | **1,292.5** | **1,282.4** | **1,311.6** | 0.8 | (1.5) |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 1,282.1 | 1,284.6 | 1,285.4 | (0.2) | (0.3) |
| **Net new assets by business (CHF billion)** | | | | | |
| Wealth Management Clients | 10.6 | 1.7 | 5.7 | – | 86.0 |
| Corporate & Institutional Clients | 0.4 | 4.0 | 4.5 | (90.0) | (91.1) |
| Asset Management | 6.9 | (0.5) | 8.5 | – | (18.8) |
| Non-strategic | (2.3) | (1.0) | (2.3) | 130.0 | 0.0 |
| Assets managed across businesses | (1.9) | 0.2 | (4.4) | – | (56.8) |
| **Net new assets** | **13.7** | **4.4** | **12.0** | 211.4 | 14.2 |
| **Net new asset growth rate (%)** | | | | | |
| Net new asset growth rate – Wealth Management Clients | 5.4 | 0.9 | 3.0 | – | – |
| Net new asset growth rate – Asset Management | 7.8 | (0.6) | 10.5 | – | – |

## Investment Banking

In 1Q14, Investment Banking reported income before taxes of CHF 827 million and net revenues of CHF 3,416 million. Investment Banking delivered solid results amid a challenging market environment. In the strategic businesses, net revenues declined 11% compared to 1Q13 as strong performance in credit, securitized products and underwriting and advisory and solid equities results were offset by significantly reduced first quarter seasonal contribution from rates and certain emerging markets than experienced in previous years. Compared to 4Q13, the strategic businesses delivered significantly improved revenues, reflecting seasonally stronger trading volumes and client activity in fixed income and equities businesses which more than offset lower results in the underwriting and advisory franchises. In 1Q14, Investment Banking made progress in winding-down the non-strategic unit, including reducing leverage exposure, risk-weighted assets and funding costs.

### Investment Banking

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Reported results (CHF million)** | | | | | |
| **Net revenues** | **3,416** | **2,668** | **3,945** | 28 | (13) |
| **Provision for credit losses** | **0** | **8** | **(6)** | (100) | 100 |
| Compensation and benefits | 1,521 | 1,355 | 1,485 | 12 | 2 |
| Total other operating expenses | 1,068 | 1,869 | 1,166 | (43) | (8) |
| **Total operating expenses** | **2,589** | **3,224** | **2,651** | (20) | (2) |
| **Income/(loss) before taxes** | **827** | **(564)** | **1,300** | – | (36) |
| **Metrics (%)** | | | | | |
| Return on capital | 13.8 | – | 20.4 | – | – |
| Cost/income ratio | 75.8 | 120.8 | 67.2 | – | – |

## Strategic results

In 1Q14, the strategic businesses reported income before taxes of CHF 1,124 million and net revenues of CHF 3,563 million. Net revenues declined 11% compared to 1Q13 as strong performance in credit, securitized products and underwriting and advisory and solid equities results were offset by weakness in emerging markets and global macro products. Compared to 4Q13, the strategic businesses delivered significantly improved revenues, reflecting seasonally stronger trading volumes and client activity in the fixed income and equities businesses which more than offset lower results in the underwriting and advisory franchises.

**Fixed income sales and trading** revenues declined significantly from 1Q13 driven by substantially reduced client activity and challenging trading conditions in global macro products and emerging markets businesses, partially offset by strong results in securitized products and credit. Revenues increased significantly compared to 4Q13 due to a seasonal increase in client activity, resulting in higher revenues across most of its fixed income businesses.

**Equities sales and trading** revenues were solid, albeit lower than 1Q13, reflecting lower cash equities and systematic market making revenues, partially offset by higher derivatives revenues. Equity sales and trading revenues increased compared to 4Q13, reflecting higher results in derivatives and prime services.

**Underwriting and advisory** results were higher compared to 1Q13 driven by market share gains. Compared to 4Q13, revenues decreased driven by lower equity underwriting and advisory results reflecting lower industry activity.

**Investment Banking – strategic results**

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Strategic results (CHF million)** | | | | | |
| Debt underwriting | 468 | 483 | 461 | (3) | 2 |
| Equity underwriting | 183 | 274 | 157 | (33) | 17 |
| Total underwriting | 651 | 757 | 618 | (14) | 5 |
| Advisory and other fees | 180 | 194 | 145 | (7) | 24 |
| **Total underwriting and advisory** | **831** | **951** | **763** | (13) | 9 |
| Fixed income sales and trading | 1,609 | 808 | 2,028 | 99 | (21) |
| Equity sales and trading | 1,207 | 1,070 | 1,316 | 13 | (8) |
| **Total sales and trading** | **2,816** | **1,878** | **3,344** | 50 | (16) |
| Other | (84) | (34) | (90) | 147 | (7) |
| **Net revenues** | **3,563** | **2,795** | **4,017** | 27 | (11) |
| **Provision for credit losses** | **0** | **8** | **(7)** | (100) | 100 |
| **Total operating expenses** | **2,439** | **2,319** | **2,477** | 5 | (2) |
| **Income before taxes** | **1,124** | **468** | **1,547** | 140 | (27) |
| **Metrics (%)** | | | | | |
| Return on capital | 20.9 | 8.8 | 27.5 | – | – |
| Cost/income ratio | 68.5 | 83.0 | 61.7 | – | – |

**Total operating expenses** of CHF 2,439 million decreased 2% compared to 1Q13, reflecting lower technology costs and lower litigation provisions, partially offset by seasonally higher compensation and benefits expense. Compared to 4Q13, operating expenses increased 5% reflecting higher compensation and benefits expense, partially offset by lower general and administrative expenses.

Results in 1Q14 were impacted by the weakening of the average rate of the US dollar against the Swiss franc, which negatively impacted revenues and favorably impacted expenses. Compared to 1Q13, revenues decreased 11% and total operating expenses decreased 2% in Swiss francs while revenues declined 8% and total operating expenses increased 3% in US dollars. Compared to 4Q13, revenues were up 27% and total operating expenses up 5% in Swiss francs while revenues increased 29% and total operating expenses increased 6% in US dollars.

**Capital metrics** As of the end of 1Q14, the strategic businesses in Investment Banking reported Basel III risk-weighted assets of USD 167 billion, up USD 11 billion from 4Q13, reflecting increases of USD 6 billion from external methodology changes and USD 5 billion from internal methodology changes. The leverage exposure of the strategic businesses in Investment Banking was USD 742 billion reflecting a modest increase from 4Q13 due to seasonal market activity in equities and increased commitments in credit.

## Non-strategic results

*Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-traded instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.*

### Investment Banking – non-strategic results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Non-strategic results (CHF million)** | | | | | |
| **Net revenues** | **(147)** | **(127)** | **(72)** | 16 | 104 |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) |
| **Total operating expenses** | **150** | **905** | **174** | (83) | (14) |
| **Income/(loss) before taxes** | **(297)** | **(1,032)** | **(247)** | (71) | 20 |
| Risk-weighted assets – Basel III | 16,436 | 17,549 | 19,176 | (6) | (14) |

In 1Q14, Investment Banking continued to make progress on the wind-down strategy in its non-strategic unit. The non-strategic businesses reported a loss before taxes of CHF 297 million and net revenue losses of CHF 147 million. Investment Banking had higher net revenue losses as 1Q13 results reflected a gain of CHF 77 million from a sale in our real estate portfolio. Performance also reflected improved funding costs from portfolio management of both its legacy debt instruments and trading assets. Total operating expenses decreased compared to 1Q13 and 4Q13, driven by substantially lower litigation provisions.

As of the end of 1Q14, the Investment Banking non-strategic businesses reported Basel III risk-weighted assets of USD 19 billion were down USD 1 billion compared to 4Q13, with decreases of USD 3 billion from business reductions partially offset by increases of USD 2 billion from methodology changes. This compares to the target of USD 6 billion by end 2015. Additionally, the non-strategic businesses reported leverage exposure of USD 79 billion as of the end of 1Q14, a reduction of USD 8 billion, or 9% from 4Q13. This compares to the target of USD 24 billion in leverage exposure by year-end 2015.

## Corporate Center

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

### Corporate Center

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Reported results (CHF million)** | | | | | |
| **Net revenues** | **(187)** | **(177)** | **(205)** | 6 | (9) |
| **Provision for credit losses** | **1** | **1** | **0** | 0 | – |
| Compensation and benefits | 166 | 119 | 126 | 39 | 32 |
| Total other operating expenses | 85 | 92 | 45 | (8) | 89 |
| **Total operating expenses** | **251** | **211** | **171** | 19 | 47 |
| **Loss before taxes** | **(439)** | **(389)** | **(376)** | 13 | 17 |
| **Non-strategic results (CHF million)** | | | | | |
| **Net revenues** | **(146)** | **(160)** | **(198)** | (9) | (26) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **144** | **161** | **82** | (11) | 76 |
| **Income/(loss) before taxes** | **(290)** | **(321)** | **(280)** | (10) | 4 |

The Corporate Center recorded a loss before taxes of CHF 439 million in 1Q14, including fair value losses on own debt of CHF 92 million, debit valuation adjustment losses on certain structured notes liabilities of CHF 4 million and fair value losses on stand-alone derivatives of CHF 24 million, resulting in overall fair value losses on own credit spreads of CHF 120 million in 1Q14. 1Q14 results also included business realignment costs of CHF 62 million, IT architecture simplification expenses of CHF 61 million and a gain on sale of real estate of CHF 34 million. This compares to a loss before taxes of CHF 376 million in 1Q13 and a loss before taxes of CHF 389 million in 4Q13.

## Balance sheet, shareholders' equity and regulatory capital

**Balance sheet**
As of the end of 1Q14, total assets of CHF 878.1 billion were stable compared to 4Q13, reflecting a slight increase in operating activities, partially offset by the foreign exchange translation impact. Excluding the foreign exchange translation impact, total assets increased CHF 9.7 billion.

**Total shareholders' equity**
Credit Suisse's total shareholders' equity increased to CHF 43.2 billion as of the end of 1Q14 compared to CHF 42.2 billion as of the end of 4Q13. Total shareholders' equity was impacted by net income, the effect of share-based compensation and the purchase of subsidiary shares from non-controlling interests, relating to the redemption of tier 1 participation securities. These increases were partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and treasury shares purchases and sales.

**Capital issuances and redemptions**
In March 2014, pursuant to a tender offer, Credit Suisse repurchased USD 1.4 billion of outstanding 7.875% perpetual series B subordinated tier 1 participation securities. Credit Suisse subsequently exercised a regulatory call of the USD 99 million of such securities that had not been tendered, with the result that no such securities remain outstanding. Prior to the announcement of the tender offer and as advised by FINMA, these tier 1 participation securities formed part of Swiss CET1 capital under the Swiss Requirements, whereas under Basel III, these instruments were included in additional tier 1 instruments subject to phase out. These transactions were approved by FINMA.

In March 2014, CHF 0.5 billion of Contingent Capital Awards (CCA) were granted to certain employees as part of their 2013 deferred variable compensation. Also in March, employees holding 2011 Partner Asset Facility (PAF2) awards, which were restructured, reallocated a portion of their PAF2 holdings to CCA. CCA qualify as high-trigger regulatory capital.

**Regulatory capital and ratios – Basel III**
The CET1 ratio was 14.3% as of the end of 1Q14, compared to 15.7% as of the end of 4Q13, due to an increase in RWA and a decrease in CET1 capital. Credit Suisse' tier 1 ratio was 15.6% as of the end of 1Q14, compared to 16.8% as of the end of 4Q13. The total capital ratio decreased to 19.1% as of the end of 1Q14 compared to 20.6% as of the end of 4Q13.

CET1 capital was CHF 40.9 billion as of the end of 1Q14 compared to CHF 43.0 billion as of the end of 4Q13, mainly reflecting the 20% phase in of regulatory deductions from CET1 including goodwill and other intangible assets and certain deferred tax assets and a 20% decrease in the adjustment for the accounting treatment of pension plans, pursuant to phase-in requirements. CET1 capital was also impacted by a quarterly dividend accrual and a negative foreign exchange translation impact, partially offset by net income and the impact of share-based compensation.

Additional tier 1 capital increased to CHF 3.7 billion, mainly due to the issuance of CHF 0.5 billion CCA and the 20% decrease in phase in deductions, including goodwill and other intangible assets and other capital deductions, partially offset by the redemption of tier 1 participation securities in March 2014. Tier 2 capital decreased slightly to CHF 10.0 billion as of the end of 1Q14.

Total eligible capital was CHF 54.6 billion as of the end of 1Q14 compared to CHF 56.3 billion as of the end of 4Q13, reflecting the decrease in CET1 capital, partially offset by the increase in additional tier 1 capital.

As of the end of 1Q14, the Look-through CET1 ratio was 10.0% compared to an updated long-term target of 11.0%.

### Capital ratios and leverage ratios – Basel III

| | Phase-in | | Look-through | |
|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | **1Q14** | 4Q13 |
| **BIS capital ratios (%)** | | | | |
| CET1 ratio | 14.3 | 15.7 | 10.0 | 10.0 |
| Tier 1 ratio | 15.6 | 16.8 | 12.8 | 12.8 |
| Total capital ratio | 19.1 | 20.6 | 15.1 | 15.1 |
| **Leverage ratios (%)** | | | | |
| Swiss leverage ratio | 4.8 | 5.1 | 3.7 | 3.7 |

As of the end of 1Q14, Swiss CET1 capital and Swiss total capital ratios were 14.2% and 19.0%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.75% and 10.18%, respectively.

On a look-through basis, Swiss CET1 capital was CHF 27.7 billion and the Swiss CET1 ratio was 9.9% as of the end of 1Q14. Swiss total eligible capital was CHF 42.0 billion and the Swiss total capital ratio was 15.0% as of the end of 1Q14, each on a look-through basis.

### Swiss leverage ratio

As of the end of 1Q14, the Swiss leverage ratio was 4.8% and total average exposure was CHF 1,137.6 billion. As of the end of 1Q14, total exposure was CHF 1,140 billion compared to Credit Suisse's updated long-term target of approximately CHF 1,000 billion. The Look-through Swiss leverage ratio was 3.7% as of the end of 1Q14, compared to the 4.0% requirement for 2019.

## Quarterly results documentation

The Results Presentation Slides are available for download from 06:45 CEST today at:
https://www.credit-suisse.com/results

The 1Q14 Financial Report will be available for download on or about May 2, 2014 at:
https://www.credit-suisse.com/results

Hard copies of the 1Q14 Financial Report may be ordered free of charge at:
https://publications.credit-suisse.com/index.cfm/publikationen-shop/quarterly-reports/

**Presentation – Wednesday, April 16, 2014**

| | |
|---|---|
| Event | Analyst, investor and media presentation |
| Time | 09:00 Zurich<br>08:00 London<br>03:00 New York |
| Speakers | Brady W. Dougan, Chief Executive Officer<br>David Mathers, Chief Financial Officer |
| Language | The presentation will be held in English |
| Access via Internet | Audio webcast<br>www.credit-suisse.com/results |
| Access via Telephone | +41 44 580 40 01 (Switzerland)<br>+44 1452 565 510 (Europe)<br>+1 866 389 9771 (US)<br>Reference: Credit Suisse Group quarterly results |
| Q&A Session | Following the presentations, you will have the opportunity<br>to ask questions via the telephone conference. |
| Playback | Replay available approximately two hours after the event by visiting<br>www.credit-suisse.com/results or by dialing:<br>+41 44 580 34 56 (Switzerland)<br>+44 1452 550 000 (Europe)<br>+1 866 247 4222 (US)<br>Conference ID: 25863345# |

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**Important information**

The Group has not finalized its 1Q14 Financial Report and the Group's independent registered public accounting firm has not completed its review of the condensed consolidated financial statements (unaudited) for the period. Accordingly, the financial information contained in this Earnings Release is subject to completion of quarter-end procedures, which may result in changes to that information.

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

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

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

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

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss total eligible capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

Return on equity for strategic results is calculated by dividing annualized strategic net income by average strategic shareholders' equity (derived by deducting 10% of non-strategic risk-weighted assets from reported shareholders' equity). Return on capital is calculated using income after tax and capital allocated based on the average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

All expense reduction metrics against 6M11 annualized total expenses are measured at constant foreign exchange rates and exclude realignment and other significant expense items and variable compensation expenses. For further information regarding these measures, see the 1Q14 Results Presentation Slides.

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

# Appendix

## Key metrics

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Credit Suisse (CHF million, except where indicated)** | | | | | |
| Net income/(loss) attributable to shareholders | 859 | (476) | 1,303 | – | (34) |
| of which from continuing operations | 844 | (474) | 1,297 | – | (35) |
| Basic earnings/(loss) per share from continuing operations (CHF) | 0.47 | (0.37) | 0.76 | – | (38) |
| Diluted earnings/(loss) per share from continuing operations (CHF) | 0.47 | (0.37) | 0.75 | – | (37) |
| Return on equity attributable to shareholders (%) | 8.0 | (4.5) | 14.2 | – | – |
| Effective tax rate (%) | 31.2 | 18.9 | 26.6 | – | – |
| **Core Results (CHF million, except where indicated)** | | | | | |
| Net revenues | 6,469 | 5,920 | 7,018 | 9 | (8) |
| Provision for credit losses | 34 | 53 | 22 | (36) | 55 |
| Total operating expenses | 5,035 | 6,396 | 5,191 | (21) | (3) |
| Income/(loss) from continuing operations before taxes | 1,400 | (529) | 1,805 | – | (22) |
| Cost/income ratio (%) | 77.8 | 108.0 | 74.0 | – | – |
| Pre-tax income margin (%) | 21.6 | (8.9) | 25.7 | – | – |
| **Strategic results (CHF million, except where indicated)** | | | | | |
| Net revenues | 6,553 | 6,038 | 7,018 | 9 | (7) |
| Income from continuing operations before taxes | 1,940 | 1,448 | 2,207 | 34 | (12) |
| Cost/income ratio (%) | 70.1 | 75.4 | 68.3 | – | – |
| Return on equity – strategic results (%) | 13.9 | 10.6 | 18.6 | – | – |
| **Non-strategic results (CHF million)** | | | | | |
| Net revenues | (84) | (118) | 0 | (29) | – |
| Loss from continuing operations before taxes | (540) | (1,977) | (402) | (73) | 34 |
| **Assets under management and net new assets (CHF billion)** | | | | | |
| Assets under management from continuing operations | 1,281.1 | 1,253.4 | 1,258.6 | 2.2 | 1.8 |
| Net new assets from continuing operations | 14.7 | 4.2 | 14.4 | 250.0 | 2.1 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 878,090 | 872,806 | 946,618 | 1 | (7) |
| Net loans | 250,659 | 247,054 | 248,995 | 1 | 1 |
| Total shareholders' equity | 43,230 | 42,164 | 37,825 | 3 | 14 |
| Tangible shareholders' equity | 35,046 | 33,955 | 28,985 | 3 | 21 |
| **Basel III regulatory capital and leverage statistics** | | | | | |
| Risk-weighted assets (CHF million) | 285,996 | 273,846 | – | 4 | – |
| CET 1 ratio (%) | 14.3 | 15.7 | – | – | – |
| Look-through CET 1 ratio (%) | 10.0 | 10.0 | – | – | – |
| Swiss leverage ratio (%) | 4.8 | 5.1 | – | – | – |
| Look-through Swiss leverage ratio (%) | 3.7 | 3.7 | – | – | – |
| **Share information** | | | | | |
| Shares outstanding (million) | 1,587.2 | 1,590.9 | 1,312.2 | 0 | 21 |
| of which common shares issued | 1,596.1 | 1,596.1 | 1,339.7 | 0 | 19 |
| of which treasury shares | (8.9) | (5.2) | (27.5) | 71 | (68) |
| Book value per share (CHF) | 27.24 | 26.50 | 28.83 | 3 | (6) |
| Tangible book value per share (CHF) | 22.08 | 21.34 | 22.09 | 3 | 0 |
| Market capitalization (CHF million) | 45,633 | 43,526 | 33,371 | 5 | 37 |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

See relevant tables for additional information on these metrics.

## Credit Suisse

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **6,829** | **6,139** | **7,089** | 11 | (4) |
| **Provision for credit losses** | **34** | **53** | **22** | (36) | 55 |
| Compensation and benefits | 2,993 | 2,807 | 2,991 | 7 | 0 |
| General and administrative expenses | 1,690 | 3,223 | 1,732 | (48) | (2) |
| Commission expenses | 369 | 389 | 470 | (5) | (21) |
| Total other operating expenses | 2,059 | 3,612 | 2,202 | (43) | (6) |
| **Total operating expenses** | **5,052** | **6,419** | **5,193** | (21) | (3) |
| **Income/(loss) from continuing operations before taxes** | **1,743** | **(333)** | **1,874** | – | (7) |
| Income tax expense/(benefit) | 543 | (63) | 499 | – | 9 |
| **Income/(loss) from continuing operations** | **1,200** | **(270)** | **1,375** | – | (13) |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Net income/(loss)** | **1,215** | **(272)** | **1,381** | – | (12) |
| Net income attributable to noncontrolling interests | 356 | 204 | 78 | 75 | 356 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | – | (34) |
| of which from continuing operations | 844 | (474) | 1,297 | – | (35) |
| of which from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 | – | (38) |
| Basic earnings/(loss) per share | 0.48 | (0.37) | 0.76 | – | (37) |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 | – | (37) |
| Diluted earnings/(loss) per share | 0.48 | (0.37) | 0.75 | – | (36) |
| **Return on equity (%, annualized)** | | | | | |
| Return on equity attributable to shareholders | 8.0 | (4.5) | 14.2 | – | – |
| Return on tangible equity attributable to shareholders [1] | 10.0 | (5.6) | 18.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

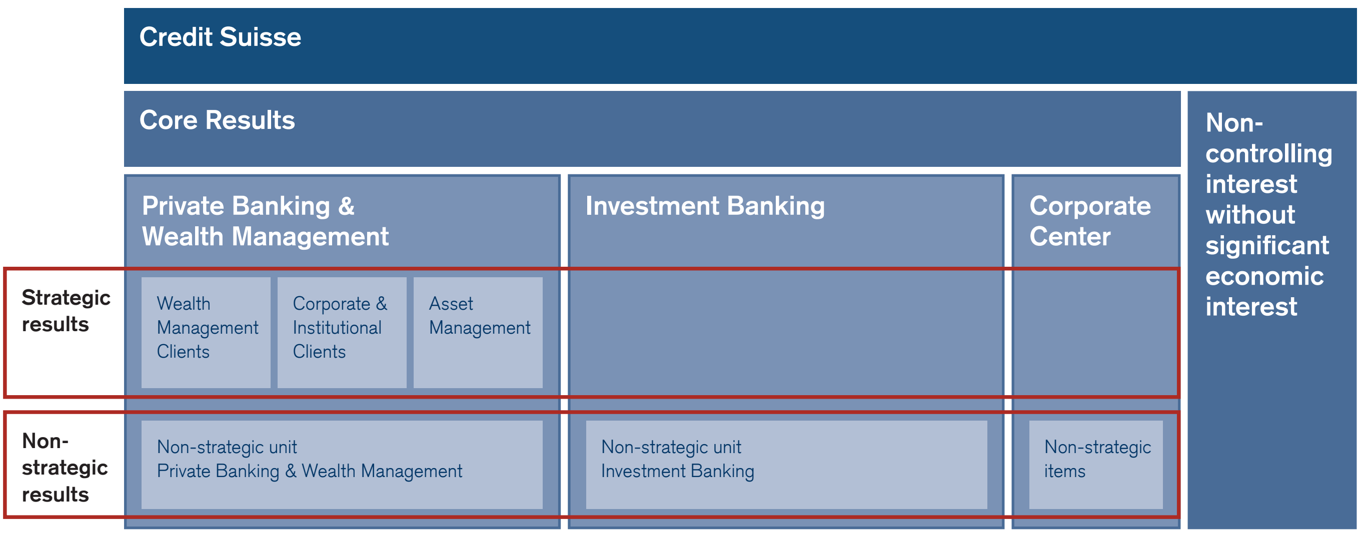
[1] Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders. Management believes that the return on tangible shareholders' equity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

## Credit Suisse and Core Results

| | Core Results | | | Noncontrolling interests without SEI | | | Credit Suisse | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,469** | **5,920** | **7,018** | **360** | **219** | **71** | **6,829** | **6,139** | **7,089** |
| **Provision for credit losses** | **34** | **53** | **22** | **0** | **0** | **0** | **34** | **53** | **22** |
| Compensation and benefits | 2,977 | 2,788 | 2,990 | 16 | 19 | 1 | 2,993 | 2,807 | 2,991 |
| General and administrative expenses | 1,689 | 3,219 | 1,731 | 1 | 4 | 1 | 1,690 | 3,223 | 1,732 |
| Commission expenses | 369 | 389 | 470 | 0 | 0 | 0 | 369 | 389 | 470 |
| Total other operating expenses | 2,058 | 3,608 | 2,201 | 1 | 4 | 1 | 2,059 | 3,612 | 2,202 |
| **Total operating expenses** | **5,035** | **6,396** | **5,191** | **17** | **23** | **2** | **5,052** | **6,419** | **5,193** |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | **343** | **196** | **69** | **1,743** | **(333)** | **1,874** |
| Income tax expense/(benefit) | 543 | (63) | 499 | 0 | 0 | 0 | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **857** | **(466)** | **1,306** | **343** | **196** | **69** | **1,200** | **(270)** | **1,375** |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | 0 | 0 | 0 | 15 | (2) | 6 |
| **Net income/(loss)** | **872** | **(468)** | **1,312** | **343** | **196** | **69** | **1,215** | **(272)** | **1,381** |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 343 | 196 | 69 | 356 | 204 | 78 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | **–** | **–** | **–** | **859** | **(476)** | **1,303** |
| of which from continuing operations | 844 | (474) | 1,297 | – | – | – | 844 | (474) | 1,297 |
| of which from discontinued operations | 15 | (2) | 6 | – | – | – | 15 | (2) | 6 |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 77.8 | 108.0 | 74.0 | – | – | – | 74.0 | 104.6 | 73.3 |
| Pre-tax income margin | 21.6 | (8.9) | 25.7 | – | – | – | 25.5 | (5.4) | 26.4 |
| Effective tax rate | 38.8 | 11.9 | 27.6 | – | – | – | 31.2 | 18.9 | 26.6 |
| Net income margin [1] | 13.3 | (8.0) | 18.6 | – | – | – | 12.6 | (7.8) | 18.4 |

[1] Based on amounts attributable to shareholders.

## Credit Suisse reporting structure




Credit Suisse results include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have noncontrolling interests without significant economic interest (SEI) in such revenues and expenses. Core Results include the results of our two segments and the Corporate Center and discontinued operations, but do not include noncontrolling interests without SEI.

## Core Results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 2,183 | 1,742 | 1,801 | 25 | 21 |
| Commissions and fees | 3,276 | 3,430 | 3,254 | (4) | 1 |
| Trading revenues | 630 | 287 | 1,807 | 120 | (65) |
| Other revenues | 380 | 461 | 156 | (18) | 144 |
| **Net revenues** | **6,469** | **5,920** | **7,018** | 9 | (8) |
| of which strategic results | 6,553 | 6,038 | 7,018 | 9 | (7) |
| of which non-strategic results | (84) | (118) | 0 | (29) | – |
| **Provision for credit losses** | **34** | **53** | **22** | (36) | 55 |
| Compensation and benefits | 2,977 | 2,788 | 2,990 | 7 | 0 |
| General and administrative expenses | 1,689 | 3,219 | 1,731 | (48) | (2) |
| Commission expenses | 369 | 389 | 470 | (5) | (21) |
| Total other operating expenses | 2,058 | 3,608 | 2,201 | (43) | (6) |
| **Total operating expenses** | **5,035** | **6,396** | **5,191** | (21) | (3) |
| of which strategic results | 4,595 | 4,554 | 4,795 | 1 | (4) |
| of which non-strategic results | 440 | 1,842 | 396 | (76) | 11 |
| **Income/(loss) from continuing operations before taxes** | **1,400** | **(529)** | **1,805** | – | (22) |
| of which strategic results | 1,940 | 1,448 | 2,207 | 34 | (12) |
| of which non-strategic results | (540) | (1,977) | (402) | (73) | 34 |
| Income tax expense/(benefit) | 543 | (63) | 499 | – | 9 |
| **Income/(loss) from continuing operations** | **857** | **(466)** | **1,306** | – | (34) |
| Income/(loss) from discontinued operations | 15 | (2) | 6 | – | 150 |
| **Net income/(loss)** | **872** | **(468)** | **1,312** | – | (34) |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 63 | 44 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** | – | (34) |
| of which strategic results | 1,398 | 1,062 | 1,579 | 32 | (11) |
| of which non-strategic results | (539) | (1,538) | (276) | (65) | 95 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 14.4 | – | 18.2 | – | – |
| Cost/income ratio | 77.8 | 108.0 | 74.0 | – | – |
| Pre-tax income margin | 21.6 | (8.9) | 25.7 | – | – |
| Effective tax rate | 38.8 | 11.9 | 27.6 | – | – |
| Net income margin [2] | 13.3 | (8.0) | 18.6 | – | – |
| **Return on equity (%, annualized)** | | | | | |
| Return on equity – strategic results | 13.9 | 10.6 | 18.6 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 45,600 | 46,000 | 46,900 | (1) | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Based on amounts attributable to shareholders.

## Core Results – strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 | **1Q14** | 4Q13 | 1Q13 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,553** | **6,038** | **7,018** | **(84)** | **(118)** | **0** | **6,469** | **5,920** | **7,018** |
| **Provision for credit losses** | **18** | **36** | **16** | **16** | **17** | **6** | **34** | **53** | **22** |
| Compensation and benefits | 2,797 | 2,599 | 2,802 | 180 | 189 | 188 | 2,977 | 2,788 | 2,990 |
| Total other operating expenses | 1,798 | 1,955 | 1,993 | 260 | 1,653 | 208 | 2,058 | 3,608 | 2,201 |
| **Total operating expenses** | **4,595** | **4,554** | **4,795** | **440** | **1,842** | **396** | **5,035** | **6,396** | **5,191** |
| **Income/(loss) from continuing operations before taxes** | **1,940** | **1,448** | **2,207** | **(540)** | **(1,977)** | **(402)** | **1,400** | **(529)** | **1,805** |
| Income tax expense/(benefit) | 529 | 378 | 619 | 14 | (441) | (120) | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **1,411** | **1,070** | **1,588** | **(554)** | **(1,536)** | **(282)** | **857** | **(466)** | **1,306** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | 15 | (2) | 6 | 15 | (2) | 6 |
| **Net income/(loss)** | **1,411** | **1,070** | **1,588** | **(539)** | **(1,538)** | **(276)** | **872** | **(468)** | **1,312** |
| Net income attributable to noncontrolling interests | 13 | 8 | 9 | 0 | 0 | 0 | 13 | 8 | 9 |
| **Net income/(loss) attributable to shareholders** | **1,398** | **1,062** | **1,579** | **(539)** | **(1,538)** | **(276)** | **859** | **(476)** | **1,303** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 255,697 | 242,475 | 262,941 | 23,997 | 23,628 | 26,745 | 279,694 | 266,103 | 289,686 |
| Total assets | 833,536 | 821,207 | 886,213 | 43,263 | 47,975 | 55,986 | 876,799 | 869,182 | 942,199 |
| Swiss leverage exposure | 1,050,957 | 1,031,316 | 1,170,436 | 88,660 | 99,289 | 117,144 | 1,139,617 | 1,130,605 | 1,287,580 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Private Banking & Wealth Management

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,240** | **3,429** | **3,278** | (6) | (1) |
| of which strategic results | 3,031 | 3,260 | 3,008 | (7) | 1 |
| of which non-strategic results | 209 | 169 | 270 | 24 | (23) |
| **Provision for credit losses** | **33** | **44** | **28** | (25) | 18 |
| Compensation and benefits | 1,290 | 1,314 | 1,379 | (2) | (6) |
| General and administrative expenses | 736 | 1,443 | 791 | (49) | (7) |
| Commission expenses | 169 | 204 | 199 | (17) | (15) |
| Total other operating expenses | 905 | 1,647 | 990 | (45) | (9) |
| **Total operating expenses** | **2,195** | **2,961** | **2,369** | (26) | (7) |
| of which strategic results | 2,049 | 2,185 | 2,229 | (6) | (8) |
| of which non-strategic results | 146 | 776 | 140 | (81) | 4 |
| **Income before taxes** | **1,012** | **424** | **881** | 139 | 15 |
| of which strategic results | 965 | 1,048 | 756 | (8) | 28 |
| of which non-strategic results | 47 | (624) | 125 | – | (62) |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 32.3 | 13.9 | 29.8 | – | – |
| Cost/income ratio | 67.7 | 86.4 | 72.3 | – | – |
| Pre-tax income margin | 31.2 | 12.4 | 26.9 | – | – |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 1,292.5 | 1,282.4 | 1,311.6 | 0.8 | (1.5) |
| Net new assets | 13.7 | 4.4 | 12.0 | 211.4 | 14.2 |
| **Number of employees and relationship managers** | | | | | |
| Number of employees (full-time equivalents) | 26,100 | 26,000 | 27,000 | 0 | (3) |
| Number of relationship managers | 4,410 | 4,330 | 4,530 | 2 | (3) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Private Banking & Wealth Management (continued)

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 979 | 1,058 | 1,045 | (7) | (6) |
| Recurring commissions and fees | 1,189 | 1,232 | 1,219 | (3) | (2) |
| Transaction- and performance-based revenues | 937 | 1,186 | 919 | (21) | 2 |
| Other revenues [1] | 135 | (47) | 95 | – | 42 |
| **Net revenues** | **3,240** | **3,429** | **3,278** | (6) | (1) |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 53 | 76 | 52 | (30) | 2 |
| Releases of provisions | (20) | (32) | (24) | (38) | (17) |
| **Provision for credit losses** | **33** | **44** | **28** | (25) | 18 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

## Private Banking & Wealth Management – strategic results

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 963 | 1,038 | 1,019 | (7) | (5) |
| Recurring commissions and fees | 1,139 | 1,149 | 1,101 | (1) | 3 |
| Transaction- and performance-based revenues | 919 | 1,137 | 874 | (19) | 5 |
| Other revenues | 10 | (64) | 14 | – | (29) |
| **Net revenues** | **3,031** | **3,260** | **3,008** | (7) | 1 |
| New provisions | 36 | 58 | 47 | (38) | (23) |
| Releases of provisions | (19) | (31) | (24) | (39) | (21) |
| **Provision for credit losses** | **17** | **27** | **23** | (37) | (26) |
| Compensation and benefits | 1,225 | 1,242 | 1,307 | (1) | (6) |
| General and administrative expenses | 660 | 750 | 736 | (12) | (10) |
| Commission expenses | 164 | 193 | 186 | (15) | (12) |
| Total other operating expenses | 824 | 943 | 922 | (13) | (11) |
| **Total operating expenses** | **2,049** | **2,185** | **2,229** | (6) | (8) |
| **Income before taxes** | **965** | **1,048** | **756** | (8) | 28 |
| of which Wealth Management Clients | 578 | 466 | 454 | 24 | 27 |
| of which Corporate & Institutional Clients | 246 | 213 | 239 | 15 | 3 |
| of which Asset Management | 141 | 369 | 63 | (62) | 124 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 33.0 | 36.8 | 27.7 | – | – |
| Cost/income ratio | 67.6 | 67.0 | 74.1 | – | – |
| Pre-tax income margin | 31.8 | 32.1 | 25.1 | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 92,169 | 88,316 [2] | 90,752 | 4 | 2 |
| Total assets | 267,332 | 258,447 | 261,165 | 3 | 2 |
| Swiss leverage exposure | 309,672 | 302,894 | 312,280 | 2 | (1) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.
[2] Includes the impact of an operational risk add-on of CHF 1.6 billion in 4Q13.

## Wealth Management Clients

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **2,074** | **2,056** | **2,087** | 1 | (1) |
| **Provision for credit losses** | **16** | **18** | **19** | (11) | (16) |
| **Total operating expenses** | **1,480** | **1,572** | **1,614** | (6) | (8) |
| **Income before taxes** | **578** | **466** | **454** | 24 | 27 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 71.4 | 76.5 | 77.3 | – | – |
| Pre-tax income margin | 27.9 | 22.7 | 21.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 706 | 760 | 746 | (7) | (5) |
| Recurring commissions and fees | 730 | 742 | 717 | (2) | 2 |
| Transaction- and performance-based revenues | 638 | 554 | 624 | 15 | 2 |
| **Net revenues** | **2,074** | **2,056** | **2,087** | 1 | (1) |
| **Gross margin (annualized) (bp)** [1] | | | | | |
| Net interest income | 35 | 38 | 38 | – | – |
| Recurring commissions and fees | 37 | 38 | 37 | – | – |
| Transaction- and performance-based revenues | 32 | 28 | 32 | – | – |
| Gross margin | **104** | **104** | **107** | – | – |
| **Number of relationship managers** | | | | | |
| Switzerland | 1,690 | 1,590 | 1,610 | 6 | 5 |
| EMEA | 1,150 | 1,180 | 1,290 | (3) | (11) |
| Americas | 560 | 560 | 630 | 0 | (11) |
| Asia Pacific | 460 | 440 | 430 | 5 | 7 |
| **Number of relationship managers** | **3,860** | **3,770** | **3,960** | **2** | **(3)** |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

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

## Corporate & Institutional Clients

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **492** | **485** | **500** | 1 | (2) |
| **Provision for credit losses** | **1** | **9** | **4** | (89) | (75) |
| **Total operating expenses** | **245** | **263** | **257** | (7) | (5) |
| **Income before taxes** | **246** | **213** | **239** | 15 | 3 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 49.8 | 54.2 | 51.4 | – | – |
| Pre-tax income margin | 50.0 | 43.9 | 47.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 257 | 278 | 273 | (8) | (6) |
| Recurring commissions and fees | 122 | 108 | 111 | 13 | 10 |
| Transaction- and performance-based revenues | 117 | 102 | 121 | 15 | (3) |
| Other revenues | (4) | (3) | (5) | 33 | (20) |
| **Net revenues** | **492** | **485** | **500** | 1 | (2) |
| **Number of relationship managers** | | | | | |
| Number of relationship managers (Switzerland) | 550 | 560 | 570 | (2) | (4) |

## Asset Management

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **324** | **350** | **358** | (7) | (9) |
| **Income before taxes** | **141** | **369** | **63** | (62) | 124 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 69.7 | 48.7 | 85.0 | – | – |
| Pre-tax income margin | 30.3 | 51.3 | 15.0 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Recurring commissions and fees | 287 | 299 | 273 | (4) | 5 |
| Transaction- and performance-based revenues | 164 | 481 | 129 | (66) | 27 |
| Other revenues | 14 | (61) | 19 | – | (26) |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Net revenue detail by type (CHF million)** | | | | | |
| Asset management fees | 287 | 299 | 273 | (4) | 5 |
| Placement, transaction and other fees | 56 | 116 | 60 | (52) | (7) |
| Performance fees and carried interest | 80 | 342 | 44 | (77) | 82 |
| Equity participations income | 15 | 12 | 10 | 25 | 50 |
| Fee-based revenues | 438 | 769 | 387 | (43) | 13 |
| Investment-related gains/(losses) | 19 | 19 | 33 | 0 | (42) |
| Equity participations and other gains/(losses) | 0 | (68) | 0 | 100 | – |
| Other revenues [1] | 8 | (1) | 1 | – | – |
| **Net revenues** | **465** | **719** | **421** | (35) | 10 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | |
| Fee-based margin [2] | 49 | 87 | 46 | – | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

## Private Banking & Wealth Management – non-strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **209** | **169** | **270** | 24 | (23) |
| **Provision for credit losses** | **16** | **17** | **5** | (6) | 220 |
| Compensation and benefits | 65 | 72 | 72 | (10) | (10) |
| Total other operating expenses | 81 | 704 | 68 | (88) | 19 |
| **Total operating expenses** | **146** | **776** | **140** | (81) | 4 |
| **Income/(loss) before taxes** | **47** | **(624)** | **125** | – | (62) |
| **Revenue details (CHF million)** | | | | | |
| Restructuring of select onshore businesses | 22 | 28 | 74 | (21) | (70) |
| Legacy cross-border business and small markets | 44 | 52 | 51 | (15) | (14) |
| Restructuring of former Asset Management division | 134 | 54 | 111 | 148 | 21 |
| Other | 9 | 35 | 34 | (74) | (74) |
| **Net revenues** | **209** | **169** | **270** | 24 | (23) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 7,561 | 6,079 | 7,569 | 24 | 0 |
| Total assets | 17,856 | 20,692 | 23,423 | (14) | (24) |
| Swiss leverage exposure | 18,609 | 21,589 | 24,563 | (14) | (24) |

## Investment Banking

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **3,416** | **2,668** | **3,945** | 28 | (13) |
| of which strategic results | 3,563 | 2,795 | 4,017 | 27 | (11) |
| of which non-strategic results | (147) | (127) | (72) | 16 | 104 |
| **Provision for credit losses** | **0** | **8** | **(6)** | (100) | 100 |
| Compensation and benefits | 1,521 | 1,355 | 1,485 | 12 | 2 |
| General and administrative expenses | 856 | 1,667 | 915 | (49) | (6) |
| Commission expenses | 212 | 202 | 251 | 5 | (16) |
| Total other operating expenses | 1,068 | 1,869 | 1,166 | (43) | (8) |
| **Total operating expenses** | **2,589** | **3,224** | **2,651** | (20) | (2) |
| of which strategic results | 2,439 | 2,319 | 2,477 | 5 | (2) |
| of which non-strategic results | 150 | 905 | 174 | (83) | (14) |
| **Income/(loss) before taxes** | **827** | **(564)** | **1,300** | – | (36) |
| of which strategic results | 1,124 | 468 | 1,547 | 140 | (27) |
| of which non-strategic results | (297) | (1,032) | (247) | (71) | 20 |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 13.8 | – | 20.4 | – | – |
| Cost/income ratio | 75.8 | 120.8 | 67.2 | – | – |
| Pre-tax income margin | 24.2 | (21.1) | 33.0 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 19,200 | 19,700 | 19,600 | (3) | (2) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking (continued)

| | in / end of | | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Net revenue detail (CHF million)** | | | | | |
| Debt underwriting | 468 | 482 | 461 | (3) | 2 |
| Equity underwriting | 183 | 273 | 157 | (33) | 17 |
| Total underwriting | 651 | 755 | 618 | (14) | 5 |
| Advisory and other fees | 180 | 194 | 145 | (7) | 24 |
| **Total underwriting and advisory** | **831** | **949** | **763** | (12) | 9 |
| Fixed income sales and trading | 1,489 | 746 | 1,987 | 100 | (25) |
| Equity sales and trading | 1,201 | 1,050 | 1,297 | 14 | (7) |
| **Total sales and trading** | **2,690** | **1,796** | **3,284** | 50 | (18) |
| Other | (105) | (77) | (102) | 36 | 3 |
| **Net revenues** | **3,416** | **2,668** | **3,945** | 28 | (13) |

## Investment Banking – strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| Debt underwriting | 468 | 483 | 461 | (3) | 2 |
| Equity underwriting | 183 | 274 | 157 | (33) | 17 |
| Total underwriting | 651 | 757 | 618 | (14) | 5 |
| Advisory and other fees | 180 | 194 | 145 | (7) | 24 |
| **Total underwriting and advisory** | **831** | **951** | **763** | (13) | 9 |
| Fixed income sales and trading | 1,609 | 808 | 2,028 | 99 | (21) |
| Equity sales and trading | 1,207 | 1,070 | 1,316 | 13 | (8) |
| **Total sales and trading** | **2,816** | **1,878** | **3,344** | 50 | (16) |
| Other | (84) | (34) | (90) | 147 | (7) |
| **Net revenues** | **3,563** | **2,795** | **4,017** | 27 | (11) |
| **Provision for credit losses** | **0** | **8** | **(7)** | (100) | 100 |
| Compensation and benefits | 1,495 | 1,335 | 1,459 | 12 | 2 |
| General and administrative expenses | 735 | 790 | 776 | (7) | (5) |
| Commission expenses | 209 | 194 | 242 | 8 | (14) |
| Total other operating expenses | 944 | 984 | 1,018 | (4) | (7) |
| **Total operating expenses** | **2,439** | **2,319** | **2,477** | 5 | (2) |
| **Income before taxes** | **1,124** | **468** | **1,547** | 140 | (27) |
| **Statement of operations metrics (%)** | | | | | |
| Return on capital [1] | 20.9 | 8.8 | 27.5 | – | – |
| Cost/income ratio | 68.5 | 83.0 | 61.7 | – | – |
| Pre-tax income margin | 31.5 | 16.7 | 38.5 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 147,629 | 138,853 | 153,632 | 6 | (4) |
| Risk-weighted assets – Basel III (USD) | 167,124 | 156,041 | 162,239 | 7 | 3 |
| Total assets | 478,476 | 475,516 | 549,709 | 1 | (13) |
| Swiss leverage exposure | 655,456 | 644,800 | 799,182 | 2 | (18) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 1Q14 and 4Q13, 25% in 1Q13 and capital allocated based on average of 10% of average risk-weighted assets and 2.4% of average leverage exposure.

## Investment Banking – non-strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | 1Q14 | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(147)** | **(127)** | **(72)** | 16 | 104 |
| **Provision for credit losses** | **0** | **0** | **1** | – | (100) |
| Compensation and benefits | 26 | 20 | 26 | 30 | 0 |
| Total other operating expenses | 124 | 885 | 148 | (86) | (16) |
| of which litigation | 65 | 842 | 100 | (92) | (35) |
| **Total operating expenses** | **150** | **905** | **174** | (83) | (14) |
| **Income/(loss) before taxes** | **(297)** | **(1,032)** | **(247)** | (71) | 20 |
| **Revenue details (CHF million)** | | | | | |
| Fixed income wind-down | (55) | 60 | 6 | – | – |
| Legacy rates business | (26) | (1) | 28 | – | – |
| Legacy funding costs | (46) | (93) | (96) | (51) | (52) |
| Other | (20) | (93) | (10) | (78) | 100 |
| **Net revenues** | **(147)** | **(127)** | **(72)** | 16 | 104 |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 16,436 | 17,549 | 19,176 | (6) | (14) |
| Risk-weighted assets – Basel III (USD) | 18,607 | 19,721 | 20,250 | (6) | (8) |
| Total assets | 25,407 | 27,283 | 32,563 | (7) | (22) |
| Swiss leverage exposure | 70,051 | 77,700 | 92,581 | (10) | (24) |

## Corporate Center results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | 1Q14 | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(187)** | **(177)** | **(205)** | 6 | (9) |
| **Provision for credit losses** | **1** | **1** | **0** | 0 | – |
| Compensation and benefits | 166 | 119 | 126 | 39 | 32 |
| General and administrative expenses | 97 | 109 | 25 | (11) | 288 |
| Commission expenses | (12) | (17) | 20 | (29) | – |
| Total other operating expenses | 85 | 92 | 45 | (8) | 89 |
| **Total operating expenses** | **251** | **211** | **171** | 19 | 47 |
| **Loss before taxes** | **(439)** | **(389)** | **(376)** | 13 | 17 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III [1] | 15,899 | 15,306 | 18,557 | 4 | (14) |
| Total assets | 87,728 | 87,244 | 75,339 | 1 | 16 |
| Swiss leverage exposure | 85,829 | 83,622 | 58,974 | 3 | 46 |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Corporate Center – non-strategic results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(146)** | **(160)** | **(198)** | (9) | (26) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **144** | **161** | **82** | (11) | 76 |
| **Income/(loss) before taxes** | **(290)** | **(321)** | **(280)** | (10) | 4 |
| of which fair value impact from movements in own credit spreads | (120) | (202) | (80) | (41) | 50 |
| of which realignment costs [1] | (62) | (131) | (92) | (53) | (33) |
| of which IT architecture simplification expenses | (61) | (69) | – | (12) | – |
| of which real estate sales | 34 | 68 | – | (50) | – |
| of which legacy funding costs [2] | (6) | 6 | (21) | – | (71) |
| of which reclassifications to discontinued operations [3] | (56) | 5 | (17) | – | 229 |
| of which other non-strategic items | (19) | 2 | (70) | – | (73) |

1 Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
2 Represents legacy funding costs associated with non-Basel III compliant debt instruments.
3 Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and CFIG businesses and the announced sale of domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **1Q14** | 4Q13 | 1Q13 |
|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **(120)** | **(202)** | **(80)** |
| of which fair value gains/(losses) on own long-term vanilla debt | (92) | (180) | (37) |
| of which fair value gains/(losses) from DVA on structured notes | (4) | (69) | (41) |
| of which fair value gains/(losses) on stand-alone derivatives | (24) | 47 | (2) |

## Assets under management – Group

| | | end of | | % change | |
|---|---|---|---|---|---|
| | **1Q14** | 4Q13 | 1Q13 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Wealth Management Clients | 804.9 | 790.7 | 794.4 | 1.8 | 1.3 |
| Corporate & Institutional Clients | 254.4 | 250.0 | 238.7 | 1.8 | 6.6 |
| Asset Management | 363.4 | 352.3 | 347.0 | 3.2 | 4.7 |
| Non-strategic | 25.9 | 44.4 | 85.4 | (41.7) | (69.7) |
| Assets managed across businesses | (156.1) | (155.0) | (153.9) | 0.7 | 1.4 |
| **Assets under management** | **1,292.5** | **1,282.4** | **1,311.6** | **0.8** | **(1.5)** |
| of which continuing operations | 1,281.1 | 1,253.4 | 1,258.6 | 2.2 | 1.8 |
| of which discontinued operations | 11.4 | 29.0 | 53.0 | (60.7) | (78.5) |
| **Assets under management from continuing operations** | **1,281.1** | **1,253.4** | **1,258.6** | **2.2** | **1.8** |
| of which discretionary assets | 410.7 | 397.6 | 388.1 | 3.3 | 5.8 |
| of which advisory assets | 870.4 | 855.8 | 870.5 | 1.7 | 0.0 |

## Net new assets – Group

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Wealth Management Clients | 10.6 | 1.7 | 5.7 |
| Corporate & Institutional Clients | 0.4 | 4.0 | 4.5 |
| Asset Management | 6.9 | (0.5) | 8.5 |
| Non-strategic | (2.3) | (1.0) | (2.3) |
| Assets managed across businesses [1] | (1.9) | 0.2 | (4.4) |
| **Net new assets** | **13.7** | **4.4** | **12.0** |
| of which continuing operations | 14.7 | 4.2 | 14.4 |
| of which discontinued operations | (1.0) | 0.2 | (2.4) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## BIS statistics – Basel III – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | 1Q14 | 4Q13 | % change QoQ | 1Q14 | 4Q13 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | |
| Total shareholders' equity | 43,230 | 42,164 | 3 | 43,230 | 42,164 | 3 |
| Regulatory adjustments [1] | (1,213) | (1,069) | 13 | (1,213) | (1,069) | 13 |
| Adjustments subject to phase in | (1,114) [2] | 1,894 [3] | – | (14,159) | (14,615) | (3) |
| **CET1 capital** | **40,903** | **42,989** | (5) | **27,858** | **26,480** | 5 |
| Additional tier 1 instruments | 8,000 [4] | 7,484 | 7 | 8,000 | 7,484 | 7 |
| Additional tier 1 instruments subject to phase out [5] | 2,088 | 3,652 | (43) | – | – | – |
| Deductions from additional tier 1 capital | (6,414) [6] | (8,064) | (20) | – | – | – |
| **Additional tier 1 capital** | **3,674** | **3,072** | 20 | **8,000** | **7,484** | 7 |
| **Total tier 1 capital** | **44,577** | **46,061** | (3) | **35,858** | **33,964** | 6 |
| Tier 2 instruments | 6,340 [7] | 6,263 | 1 | 6,340 | 6,263 | 1 |
| Tier 2 instruments subject to phase out | 3,924 | 4,321 | (9) | – | – | – |
| Deductions from tier 2 capital | (263) | (357) | (26) | (2) | (18) | (89) |
| **Tier 2 capital** | **10,001** | **10,227** | (2) | **6,338** | **6,245** | 1 |
| **Total eligible capital** | **54,578** | **56,288** | (3) | **42,196** | **40,209** | 5 |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Credit risk | 187,609 | 175,631 | 7 | 181,307 | 167,888 | 8 |
| Market risk | 34,143 | 39,133 | (13) | 34,143 | 39,133 | (13) |
| Operational risk | 58,400 | 53,075 | 10 | 58,400 | 53,075 | 10 |
| Non-counterparty risk | 5,844 | 6,007 | (3) | 5,844 | 6,007 | (3) |
| **Risk-weighted assets** | **285,996** | **273,846** | 4 | **279,694** | **266,103** | 5 |
| **Capital ratios (%)** | | | | | | |
| CET1 ratio | 14.3 | 15.7 | – | 10.0 | 10.0 | – |
| Tier 1 ratio | 15.6 | 16.8 | – | 12.8 | 12.8 | – |
| Total capital ratio | 19.1 | 20.6 | – | 15.1 | 15.1 | – |

[1] Includes regulatory adjustments not subject to phase in, including a cumulative dividend accrual.
[2] Reflects 20% phase-in deductions including goodwill and other intangible assets and certain deferred tax assets and 80% of an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements.
[3] Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments.
[4] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 5.7 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 2.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
[5] Includes hybrid capital instruments that are subject to phase out.
[6] Includes 80% of goodwill and other intangible assets (CHF 6.5 billion) and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.
[7] Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 2.5 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.8 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

## CET1 capital movement – Basel III

| | 1Q14 | 4Q13 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **42,989** | **43,780** |
| Net income | 859 | (476) |
| Foreign exchange impact | (233) | (516) |
| Impact of phase-in requirements | (3,015) | – |
| Other | 303 [1] | 201 [1] |
| **Balance at end of period** | **40,903** | **42,989** |

[1] Reflects the effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

## Risk-weighted assets by division – Basel III

| | | end of | % change |
|---|---|---|---|
| | 1Q14 | 4Q13 | QoQ |
| **Risk-weighted assets by division (CHF million)** | | | |
| Private Banking & Wealth Management | 99,730 | 94,395 | 6 |
| Investment Banking | 164,065 | 156,402 | 5 |
| Corporate Center | 22,201 | 23,049 | (4) |
| **Risk-weighted assets** | **285,996** | **273,846** | 4 |

## Risk-weighted asset movement by risk type – Basel III

| 1Q14 | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **Risk-weighted asset movement by risk type (CHF million)** | | | | | | |
| **Balance at beginning of period** | **164,924** | **10,707** | **39,133** | **53,075** | **6,007** | **273,846** |
| Foreign exchange impact | (983) | (79) | (400) | 0 | 0 | (1,462) |
| Movements in risk levels | (31) | 1,732 | (6,311) | 0 | (163) | (4,773) |
| Model and parameter updates [1] | 252 | (214) | (575) | 0 | 0 | (537) |
| Methodology and policy – internal [2] | 2,306 | 4,396 | (1,286) | 0 | 0 | 5,416 |
| Methodology and policy – external [3] | 4,599 | 0 | 3,582 | 5,325 | 0 | 13,506 |
| **Balance at end of period** | **171,067** | **16,542** | **34,143** | **58,400** | **5,844** | **285,996** |

[1] Represents movements arising from updates to models and recalibrations of parameters.
[2] Represents internal changes impacting how exposures are treated.
[3] Represents externally prescribed regulatory changes impacting how exposures are treated.

## Swiss statistics – Basel III – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | % change QoQ | **1Q14** | 4Q13 | % change QoQ |
| **Capital development (CHF million)** | | | | | | |
| CET1 capital | 40,903 | 42,989 | (5) | 27,858 | 26,480 | 5 |
| Swiss regulatory adjustments | (151) | 1,658 [1] | – | (163) | 1,824 [1] | – |
| **Swiss CET1 capital** [2] | **40,752** | **44,647** | (9) | **27,695** | **28,304** | (2) |
| High-trigger capital instruments | 8,231 [3] | 7,743 | 6 | 8,231 | 7,743 | 6 |
| Low-trigger capital instruments | 6,109 [4] | 6,005 | 2 | 6,109 | 6,005 | 2 |
| Additional tier 1 and tier 2 instruments subject to phase out [5] | 6,012 | – | – | – | – | – |
| Deductions from additional tier 1 and tier 2 instruments [5] | (6,677) | – | – | (2) | – | – |
| **Swiss total eligible capital** [2] | **54,427** | **58,395** | (7) | **42,033** | **42,052** | – |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III | 285,996 | 273,846 | 4 | 279,694 | 266,103 | 5 |
| Swiss regulatory adjustments [6] | 737 | 1,015 | (27) | 736 | 1,031 | (29) |
| **Swiss risk-weighted assets** | **286,733** | **274,861** | 4 | **280,430** | **267,134** | 5 |
| **Capital ratios (%)** | | | | | | |
| Swiss CET1 ratio | 14.2 | 16.2 | – | 9.9 | 10.6 | – |
| Swiss total capital ratio | 19.0 | 21.2 | – | 15.0 | 15.7 | – |

[1] Consists of tier 1 participation securities, which were redeemed in 1Q14, and other Swiss regulatory adjustments.
[2] Previously referred to as Swiss Core Capital and Swiss Total Capital, respectively.
[3] Consists of CHF 5.7 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
[4] Consists of CHF 2.3 billion additional tier 1 instruments and CHF 3.8 billion tier 2 instruments.
[5] In accordance with a December 2013 FINMA Decree, additional tier 1 instruments and tier 2 instruments and the deductions relating to those instruments are subject to phase out.
[6] Includes differences in credit risk multiplier and changes in RWA from different regulatory thresholds.

## Swiss leverage ratio – Group

| | Phase-in | | | Look-through | | |
|---|---|---|---|---|---|---|
| end of | **1Q14** | 4Q13 | % change QoQ | **1Q14** | 4Q13 | % change QoQ |
| **Swiss Total Capital (CHF million)** | | | | | | |
| **Swiss Total Capital** | **54,427** | **58,395** | (7) | **42,033** | **42,052** | 0 |
| **Exposure (CHF million)** [1] | | | | | | |
| Balance sheet assets | 879,250 | 890,242 | (1) | 879,250 | 890,242 | (1) |
| Off-balance sheet exposures | 135,500 | 133,426 | 2 | 135,500 | 133,426 | 2 |
| Regulatory adjustments | 122,813 | 130,150 | (6) | 108,996 | 113,596 | (4) |
| **Total average exposure** | **1,137,563** | **1,153,818** | **(1)** | **1,123,746** | **1,137,264** | **(1)** |
| **Swiss leverage ratio (%)** | | | | | | |
| Swiss leverage ratio | **4.8** | **5.1** | – | **3.7** | **3.7** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | **Total** | **Total** |
| **1Q14 (CHF million)** | | | | | | | | |
| Average | 13 | 31 | 10 | 3 | 19 | (35) | 41 | 35 |
| Minimum | 9 | 29 | 5 | 1 | 14 | – [1] | 36 | 26 |
| Maximum | 17 | 33 | 17 | 4 | 24 | – [1] | 46 | 45 |
| End of period | 14 | 31 | 9 | 2 | 15 | (29) | 42 | 34 |
| **4Q13 (CHF million)** | | | | | | | | |
| Average | 12 | 34 | 8 | 2 | 17 | (33) | 40 | 32 |
| Minimum | 8 | 32 | 3 | 1 | 13 | – [1] | 33 | 22 |
| Maximum | 16 | 37 | 15 | 3 | 24 | – [1] | 45 | 44 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 | 31 |
| **1Q13 (CHF million)** | | | | | | | | |
| Average | 23 | 38 | 11 | 2 | 17 | (51) | 40 | 48 |
| Minimum | 17 | 33 | 6 | 1 | 12 | – [1] | 34 | 32 |
| Maximum | 45 | 41 | 24 | 3 | 36 | – [1] | 55 | 77 |
| End of period | 17 | 37 | 8 | 3 | 15 | (43) | 37 | 32 |

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

## Consolidated statements of operations

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | |
| Interest and dividend income | 4,445 | 4,073 | 4,822 |
| Interest expense | (2,267) | (2,326) | (3,016) |
| Net interest income | 2,178 | 1,747 | 1,806 |
| Commissions and fees | 3,275 | 3,425 | 3,248 |
| Trading revenues | 638 | 295 | 1,815 |
| Other revenues | 738 | 672 | 220 |
| **Net revenues** | **6,829** | **6,139** | **7,089** |
| **Provision for credit losses** | **34** | **53** | **22** |
| Compensation and benefits | 2,993 | 2,807 | 2,991 |
| General and administrative expenses | 1,690 | 3,223 | 1,732 |
| Commission expenses | 369 | 389 | 470 |
| Total other operating expenses | 2,059 | 3,612 | 2,202 |
| **Total operating expenses** | **5,052** | **6,419** | **5,193** |
| **Income/(loss) from continuing operations before taxes** | **1,743** | **(333)** | **1,874** |
| Income tax expense/(benefit) | 543 | (63) | 499 |
| **Income/(loss) from continuing operations** | **1,200** | **(270)** | **1,375** |
| Income/(loss) from discontinued operations, net of tax | 15 | (2) | 6 |
| **Net income/(loss)** | **1,215** | **(272)** | **1,381** |
| Net income attributable to noncontrolling interests | 356 | 204 | 78 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** |
| of which from continuing operations | 844 | (474) | 1,297 |
| of which from discontinued operations | 15 | (2) | 6 |
| **Basic earnings per share (CHF)** | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 |
| Basic earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Basic earnings/(loss) per share** | **0.48** | **(0.37)** | **0.76** |
| **Diluted earnings per share (CHF)** | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 |
| Diluted earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share** | **0.48** | **(0.37)** | **0.75** |

## Consolidated balance sheets

| end of | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 65,972 | 68,692 | 57,242 |
| Interest-bearing deposits with banks | 1,728 | 1,515 | 1,781 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 162,890 | 160,022 | 180,513 |
| Securities received as collateral, at fair value | 23,029 | 22,800 | 33,199 |
| Trading assets, at fair value | 237,069 | 229,413 | 264,201 |
| Investment securities | 3,320 | 2,987 | 3,428 |
| Other investments | 7,806 | 10,329 | 12,084 |
| Net loans | 250,659 | 247,054 | 248,995 |
| Premises and equipment | 4,926 | 5,091 | 5,593 |
| Goodwill | 7,956 | 7,999 | 8,584 |
| Other intangible assets | 228 | 210 | 256 |
| Brokerage receivables | 49,353 | 52,045 | 58,538 |
| Other assets | 62,405 | 63,065 | 72,204 |
| Assets of discontinued operations held-for-sale | 749 | 1,584 | 0 |
| **Total assets** | **878,090** | **872,806** | **946,618** |
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 24,211 | 23,108 | 35,033 |
| Customer deposits | 348,450 | 333,089 | 316,681 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 88,675 | 94,032 | 127,182 |
| Obligation to return securities received as collateral, at fair value | 23,029 | 22,800 | 33,199 |
| Trading liabilities, at fair value | 73,029 | 76,635 | 91,490 |
| Short-term borrowings | 24,181 | 20,193 | 24,657 |
| Long-term debt | 132,434 | 130,042 | 143,094 |
| Brokerage payables | 70,250 | 73,154 | 73,466 |
| Other liabilities | 48,768 | 51,447 | 56,870 |
| Liabilities of discontinued operations held-for-sale | 781 | 1,140 | 0 |
| **Total liabilities** | **833,808** | **825,640** | **901,672** |
| Common shares | 64 | 64 | 54 |
| Additional paid-in capital | 28,406 | 27,853 | 23,808 |
| Retained earnings | 31,092 | 30,261 | 29,474 |
| Treasury shares, at cost | (249) | (139) | (446) |
| Accumulated other comprehensive income/(loss) | (16,083) | (15,875) | (15,065) |
| **Total shareholders' equity** | **43,230** | **42,164** | **37,825** |
| Noncontrolling interests | 1,052 | 5,002 | 7,121 |
| **Total equity** | **44,282** | **47,166** | **44,946** |
| **Total liabilities and equity** | **878,090** | **872,806** | **946,618** |

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **1Q14 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | 238 | – | – | – | 238 | (1,812) | (1,574) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 21 | 21 |
| Net income/(loss) | – | – | 859 | – | – | 859 | 356 | 1,215 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (208) | (208) | (25) | (233) |
| Sale of treasury shares | – | 3 | – | 1,896 | – | 1,899 | – | 1,899 |
| Repurchase of treasury shares | – | – | – | (2,025) | – | (2,025) | – | (2,025) |
| Share-based compensation, net of tax | – | 311 [3] | – | 19 | – | 330 | – | 330 |
| Dividends paid | – | – | (28) | – | – | (28) | (17) | (45) |
| Changes in redeemable noncontrolling interests | – | 2 | – | – | – | 2 | – | 2 |
| Change in scope of consolidation, net | – | – | – | – | – | – | (2,473) | (2,473) |
| Other | – | (1) | – | – | – | (1) | – | (1) |
| **Balance at end of period** | **64** | **28,406** | **31,092** | **(249)** | **(16,083)** | **43,230** | **1,052** | **44,282** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes a net tax charge of CHF 48 million from the excess recognized compensation expense over fair value of shares delivered.

## Earnings per share

| in | 1Q14 | 4Q13 | 1Q13 |
|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Income/(loss) from continuing operations** | **844** | **(474)** | **1,297** |
| Income/(loss) from discontinued operations, net of tax | 15 | (2) | 6 |
| **Net income/(loss) attributable to shareholders** | **859** | **(476)** | **1,303** |
| Preferred securities dividends | (28) | (122) | – |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **831** | **(598)** | **1,303** |
| Available for common shares | 785 | (598) | 1,033 |
| Available for unvested share-based payment awards | 46 | 0 | 93 |
| Available for mandatory convertible securities [1] | – | – | 177 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **831** | **(598)** | **1,303** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | (5) |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **831** | **(598)** | **1,298** |
| Available for common shares | 785 | (598) | 1,033 |
| Available for unvested share-based payment awards | 46 | 0 | 92 |
| Available for mandatory convertible securities [1] | – | – | 173 |
| **Weighted-average shares outstanding (million)** | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,621.2** | **1,601.9** | **1,354.6** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | 24.9 |
| Dilutive share options and warrants | 1.4 | 0.0 | 2.0 |
| Dilutive share awards | 5.2 | 0.0 | 1.8 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,627.8** | **1,601.9 [5]** | **1,383.3** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **95.5** | **122.0** | **122.6** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **231.8** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | |
| Basic earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.76 |
| Basic earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Basic earnings/(loss) per share available for common shares** | **0.48** | **(0.37)** | **0.76** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | |
| Diluted earnings/(loss) per share from continuing operations | 0.47 | (0.37) | 0.75 |
| Diluted earnings/(loss) per share from discontinued operations | 0.01 | 0.00 | 0.00 |
| **Diluted earnings/(loss) per share available for common shares** | **0.48** | **(0.37)** | **0.75** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding that arose from the 2Q13 stock dividend, as required under US GAAP.

1 Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

2 Reflects changes in the fair value of the PAF2 units which are reflected in the net results of the Group until the awards are finally settled. Fair value of the PAF2 units which are reflected in the net results of the Group are not adjusted for 4Q13, as the effect would be antidilutive. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

3 Reflects weighted-average shares outstanding on PAF2 units. Weighted-average shares on PAF2 units for 4Q13 were excluded from the diluted earnings per share calculation, as the effect would be antidilutive. In 1Q14, the Group restructured the PAF2 awards as due to regulatory changes the capital relief provided by PAF2 awards was no longer available under Basel III. The PAF2 units were converted into other capital eligible compensation instruments and will no longer be settleable in Credit Suisse Group shares.

4 Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 9.1 million, 36.0 million and 13.7 million for 1Q14, 4Q13 and 1Q13, respectively.

5 Due to the net loss in 4Q13, 1.7 million weighted-average share options and warrants outstanding and 0.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

**Cautionary statement regarding forward-looking information**

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.
- Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:
- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of continuing deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our objectives, including improved performance, reduced risks, lower costs, and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalizations or confiscations in countries where we conduct operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries where we conduct operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk Factors" in I – Information on the company in our Annual Report 2013.

As filed with the Securities and Exchange Commission on April 3, 2014

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

## Form 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-15244

## Credit Suisse Group AG

(Exact name of Registrant as specified in its charter)
**Canton of Zurich, Switzerland**
(Jurisdiction of incorporation or organization)
**Paradeplatz 8, CH 8001 Zurich, Switzerland**
(Address of principal executive offices)

David R. Mathers
Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
david.mathers@credit-suisse.com
Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Commission file number: 001-33434

## Credit Suisse AG

(Exact name of Registrant as specified in its charter)
**Canton of Zurich, Switzerland**
(Jurisdiction of incorporation or organization)
**Paradeplatz 8, CH 8001 Zurich, Switzerland**
(Address of principal executive offices)

David R. Mathers
Chief Financial Officer
Paradeplatz 8, CH 8001 Zurich, Switzerland
david.mathers@credit-suisse.com
Telephone: +41 44 333 6607
Fax: +41 44 333 1790
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class of securities | Name of each exchange on which registered |
|---|---|
| **Credit Suisse Group AG** | |
| American Depositary Shares each representing one Share | New York Stock Exchange |
| Shares par value CHF 0.04* | New York Stock Exchange* |
| **Credit Suisse AG** | |
| Fixed to Floating Rate Tier 1 Capital Notes | New York Stock Exchange |
| Floating Rate Tier 1 Capital Notes | New York Stock Exchange |
| Exchange Traded Notes due February 19, 2020 Linked to the Credit Suisse Long/Short Liquid Index (Net) | NYSE Arca |
| Credit Suisse Equal Weight MLP Index Exchange Traded Notes due April 20, 2020 Linked to the Cushing® 30 MLP Index | NYSE Arca |
| Exchange Traded Notes due October 6, 2020 Linked to the Credit Suisse Merger Arbitrage Liquid Index (Net) | NYSE Arca |
| Exchange Traded Notes due March 13, 2031 Linked on a Leveraged Basis to the Credit Suisse Merger Arbitrage Liquid Index (Net) | NYSE Arca |
| Market Neutral Equity ETN Linked to the HS Market Neutral Index Powered by HOLT™ due September 22, 2031 | NYSE Arca |
| VelocityShares Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocityShares Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030 | The Nasdaq Stock Market |
| VelocitySharesTM 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocitySharesTM 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocitySharesTM 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocitySharesTM 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031 | The Nasdaq Stock Market |
| VelocitySharesTM 3x Long Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032 | NYSE Arca |
| VelocitySharesTM 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032 | NYSE Arca |
| VelocitySharesTM 3x Inverse Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032 | NYSE Arca |
| VelocitySharesTM 3x Inverse Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032 | NYSE Arca |
| Credit Suisse Gold Shares Covered Call Exchange Traded Notes (ETNs) due February 2, 2033 Linked to the Credit Suisse NASDAQ Gold FLOWS™ 103 Index | The Nasdaq Stock Market |
| Credit Suisse Silver Shares Covered Call Exchange Traded Notes (ETNs) due April 21, 2033 Linked to the Credit Suisse NASDAQ Silver FLOWS™ 106 Index | The Nasdaq Stock Market |
| Credit Suisse Commodity Benchmark Exchange Traded Notes (ETNs) due June 15, 2033 Linked to the Credit Suisse Commodity Benchmark Total Return Index | NYSE Arca |
| Credit Suisse Commodity Rotation Exchange Traded Notes (ETNs) due June 15, 2033 Linked to the Credit Suisse Commodity Backwardation Total Return Index | NYSE Arca |
| Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due September 10, 2018 Linked to the STOXX Europe 50® USD (Gross Return) Index | NYSE Arca |
| Credit Suisse FI Enhanced Big Cap Growth Exchange Traded Notes (ETNs) due October 22, 2018 Linked to the Russell 1000® Growth Index Total Return | NYSE Arca |

* Not for trading, but only in connection with the registration of the American Depositary Shares

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2013: 1,590,936,195 shares of Credit Suisse Group AG

Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filers ☒ Accelerated filers ☐ Non-accelerated filers ☐

Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

## Table of contents

## Definitions

For the purposes of this Form 20-F and the attached Annual Report 2013, unless the context otherwise requires, the terms "Credit Suisse Group," "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries and the term "the Bank" means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

The business of the Bank is substantially similar to the Group and, except where noted or the context otherwise requires, information relating to the Group is also relevant to the Bank.

Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of the Annual Report 2013.

## Sources

Throughout this Form 20-F and the attached Annual Report 2013, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor's, Thomson Financial, Dealogic, the Loan Pricing Corporation, Institutional Investor, Lipper, Moody's Investors Service and Fitch Ratings.

## Cautionary statement regarding forward-looking information

For Credit Suisse and the Bank, please see Cautionary statement regarding forward-looking information on the inside page of the back cover of the attached Annual Report 2013.

# Part I

## Item 1. Identity of directors, senior management and advisers.

Not required because this Form 20-F is filed as an annual report.

## Item 2. Offer statistics and expected timetable.

Not required because this Form 20-F is filed as an annual report.

## Item 3. Key information.

**A – Selected financial data.**
For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on page A-2 and – Bank on page A-3 of the attached Annual Report 2013. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 504 of the attached Annual Report 2013.

**B – Capitalization and indebtedness.**
Not required because this Form 20-F is filed as an annual report.

**C – Reasons for the offer and use of proceeds.**
Not required because this Form 20-F is filed as an annual report.

**D – Risk factors.**
For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 35 to 42 of the attached Annual Report 2013.

## Item 4. Information on the company.

**A – History and development of the company.**
For Credit Suisse and the Bank, please see I – Information on the company – Organizational and regional structure on pages 22 to 23, and IV – Corporate Governance and Compensation – Corporate Governance – Overview – Company on pages 147 to 148 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on page 226 of the attached Annual Report 2013 and, for the Bank, please see Note 3 – Business developments and subsequent events in VII – Consolidated financial statements – Credit Suisse (Bank) on page 385 of the attached Annual Report 2013.

**B – Business overview.**
For Credit Suisse and the Bank, please see I – Information on the company on pages 10 to 42 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 229 to 231 of the attached Annual Report 2013 and, for the Bank, please see Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 387 to 388 of the attached Annual Report 2013.

**C – Organizational structure.**
For Credit Suisse and the Bank, please see I – Information on the company – Organizational and regional structure on pages 22 to 23 and II – Operating and financial review – Credit Suisse – Differences between Group and Bank on pages 48 to 50 of the attached Annual Report 2013. For a list of Credit Suisse's significant subsidiaries, please see Note 39 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 337 to 339 of the attached Annual Report 2013 and, for a list of the Bank's significant subsidiaries, please see Note 37 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 456 to 458 of the attached Annual Report 2013.

**D – Property, plant and equipment.**
For Credit Suisse and the Bank, please see IX – Additional information – Other information – Property and equipment on page 503 of the attached Annual Report 2013.

**Information Required by Industry Guide 3.**
For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 480 to 498 of the attached Annual Report 2013. In addition, for both Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Credit risk – Loans – Impaired loans on pages 133 to 134 and – Provision for credit losses on page 133 of the attached Annual Report 2013.

**Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934**
As stated in the Credit Suisse Annual Report 2012, in 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these credit facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain of these credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). Default on these credit facilities is subject to export financing insurance provided by European governmental export credit agencies.

Credit Suisse AG does not generally calculate gross revenues or net profits from individual export finance credit facilities of this type; however, Credit Suisse AG estimates that it recognized approximately CHF 0.4 million in interest income in 2013 on these credit facilities and believes that it has not earned any related net profit in 2013 and over the life of these credit facilities. While Credit Suisse AG ceased providing funds to any Iranian parties pursuant to any of these credit facilities several years ago, it has continued, where possible, to receive repayment of funds owed to it. In 2013, Credit Suisse AG received insurance payments totaling CHF 12.1 million from the Swiss governmental export credit agency and payments totaling CHF 15.6 million from financial institutions acting as agents of lending syndicates, both in partial payment under certain of these credit facilities. As of December 31, 2013, approximately CHF 4.8 million was owed to Credit Suisse AG under these credit facilities which is not covered by the European governmental export credit agency guarantees, out of a total amount of approximately CHF 103.0 million outstanding. Credit Suisse AG will continue to seek repayment of funds it is owed under these credit facilities pursuant to its contractual rights and applicable law, and will continue to cooperate with the European governmental export credit agencies.

During 2013, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also continues to hold funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

## Item 4A. Unresolved staff comments.

None.

## Item 5. Operating and financial review and prospects.

**A – Operating results.**
For Credit Suisse and the Bank, please see II – Operating and financial review on pages 44 to 92 of the attached Annual Report 2013. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 24 to 34 of the attached Annual Report 2013 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Foreign exchange exposure and interest rate management on page 114.

**B – Liquidity and capital resources.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 94 to 114 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 24 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 250 to 251 and Note 36 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 328 of the attached Annual Report 2013 and, for the Bank, please see Note 23 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on page 404 and Note 35 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 455 of the attached Annual Report 2013.

**C – Research and development, patents and licenses, etc.**
Not applicable.

**D – Trend information.**
For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the Company – Our businesses on pages 14 to 21 of the attached Annual Report 2013.

**E – Off-balance sheet arrangements.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 141 to 144 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments and Note 33 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 281 to 300 of the attached Annual Report 2013 and, for the Bank, please see Note 30 – Derivatives and hedging activities, Note 31 – Guarantees and commitments and Note 32 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 423 to 435 of the attached Annual Report 2013.

**F – Tabular disclosure of contractual obligations.**
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 144 of the attached Annual Report 2013.

## Item 6. Directors, senior management and employees.

**A – Directors and senior management.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board Members, – Executive Board and – Biographies of the Executive Board Members on pages 153 to 172 of the attached Annual Report 2013.

**B – Compensation.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 178 to 204 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 234, Note 28 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 263 to 269 and Note 30 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 272 to 280, and Note 3 – Compensation to members of the Executive Board and the Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 361 to 366 of the attached Annual Report 2013 and, for the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 390, Note 27 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 412 to 414 and Note 29 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 416 to 422 of the attached Annual Report 2013.

**C – Board practices.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 146 to 175 of the attached Annual Report 2013.

**D – Employees.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Employees on page 148. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Core Results on pages 54 to 60 of the attached Annual Report 2013.

**E – Share ownership.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 178 to 204 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 28 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 263 to 269, and Note 3 – Compensation to members of the Executive Board and Board of Directors in VI – Parent company financial statements – Credit Suisse Group on pages 361 to 366 of the attached Annual Report 2013. For the Bank, please see Note 27 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 412 to 414 of the attached Annual Report 2013.

## Item 7. Major shareholders and related party transactions.

**A – Major shareholders.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 149 to 152 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on page 226, Note 6 – Own shares held by the company and by group companies and Note 7 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 367 of the attached Annual Report 2013. Credit Suisse's major shareholders do not have different voting rights. The Bank has 4,399,665,200 shares outstanding and is a wholly-owned subsidiary of Credit Suisse. See Note 11 – Major shareholders and groups of shareholders in VIII – Parent company financial statements – Credit Suisse (Bank) on page 474 of the attached Annual Report 2013.

**B – Related party transactions.**
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 178 to 204 and – Corporate Governance – Banking relationships and related party transactions on pages 158 to 159 of the attached Annual Report 2013. In addition, for Credit Suisse, please see Note 29 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 270 to 272 and Note 3 – Compensation to members of the Executive Board and the Board of Directors – Board of Directors loans in VI – Parent company financial statements – Credit Suisse Group on pages 361 to 366 of the attached Annual Report 2013 and, for the Bank, please see Note 28 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on page 415 of the attached Annual Report 2013.

**C – Interests of experts and counsel.**
Not applicable because this Form 20-F is filed as an annual report.

## Item 8. Financial information.

**A – Consolidated statements and other financial information.**
Please see Item 18 of this Form 20-F.

For a description of Credit Suisse's legal and arbitration proceedings, please see Note 38 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 330 to 336 of the attached Annual Report 2013. For a description of the Bank's legal and arbitration proceedings, please see Note 36 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 456 of the attached Annual Report 2013.

For a description of Credit Suisse's policy on dividend distributions, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Dividends and dividend policy on page 114 of the attached Annual Report 2013.

**B – Significant changes.**
None.

## Item 9. The offer and listing.

**A – Offer and listing details, C – Markets.**
For information regarding the price history of Credit Suisse Group shares and the stock exchanges and other regulated markets on which they are listed or traded, please see IX – Additional information – Other information – Listing details on page 503 of the attached Annual Report 2013. Shares of the Bank are not listed.

**B – Plan of distribution, D – Selling shareholders, E – Dilution, F – Expenses of the issue.**
Not required because this Form 20-F is filed as an annual report.

## Item 10. Additional information.

**A – Share capital.**
Not required because this Form 20-F is filed as an annual report.

**B – Memorandum and Articles of Association.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview, – Shareholders and – Board of Directors on pages 146 to 166 and – Additional information – Changes in control and defense measures on page 173 and – Liquidation on page 175 of the attached Annual Report 2013. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 499 of the attached Annual Report 2013. Shares of the Bank are not listed.

**C – Material contracts.**
Neither Credit Suisse nor the Bank has any contract that would constitute a material contract for the two years immediately preceding this Form 20-F.

**D – Exchange controls.**
For Credit Suisse and the Bank, please see IX – Additional information – Other information – Exchange controls on page 499 of the attached Annual Report 2013.

**E – Taxation.**
For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 499 to 502 of the attached Annual Report 2013. The Bank does not have any public shareholders.

**F – Dividends and paying agents.**
Not required because this Form 20-F is filed as an annual report.

**G – Statement by experts.**
Not required because this Form 20-F is filed as an annual report.

**H – Documents on display.**
Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at www.sec.gov and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). SEC reports are also available for review at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005. Further, our reports on Form 20-F, Form 6-K and certain other materials are available on the Credit Suisse website at www.credit-suisse.com. Information contained on our website is not incorporated by reference into this Form 20-F.

In addition, Credit Suisse's parent company financial statements, together with the notes thereto, are set forth on pages 355 to 372 of the attached Annual Report 2013 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 461 to 478 of the attached Annual Report 2013 and incorporated by reference herein.

**I – Subsidiary information.**
Not applicable.

## Item 11. Quantitative and qualitative disclosures about market risk.

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 115 to 140 of the attached Annual Report 2013.

## Item 12. Description of securities other than equity securities.

**A – Debt Securities, B – Warrants and Rights, C – Other Securities.**
Not required because this Form 20-F is filed as an annual report.

**D – American Depositary Shares.**
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional information – American Depositary Share fees on page 175 of the attached Annual Report 2013. Shares of the Bank are not listed.

# Part II

## Item 13. Defaults, dividend arrearages and delinquencies.

None.

## Item 14. Material modifications to the rights of security holders and use of proceeds.

None.

## Item 15. Controls and procedures.

For Credit Suisse's management report and the related report from the Group's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in V – Consolidated financial statements – Credit Suisse Group on pages 353 to 354 of the attached Annual Report 2013. For the Bank's management report and the related report from the Bank's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 459 to 460 of the attached Annual Report 2013.

## Item 16A. Audit committee financial expert.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors – Board committees – Audit Committee on page 157 of the attached Annual Report 2013.

## Item 16B. Code of ethics.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Corporate governance framework on page 147 of the attached Annual Report 2013.

## Item 16C. Principal accountant fees and services.

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Internal and external auditors on pages 173 to 174 of the attached Annual Report 2013.

## Item 16D. Exemptions from the listing standards for audit committee.

None.

## Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.

For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information – Share repurchases on pages 113 to 114 of the attached Annual Report 2013. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.

## Item 16F. Change in registrants' certifying accountant.

None.

## Item 16G. Corporate governance.

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Overview – Complying with rules and regulations on pages 146 to 147 of the attached Annual Report 2013. Shares of the Bank are not listed.

## Item 16H. Mine Safety Disclosure.

None.

# Part III

## Item 17. Financial statements.

Not applicable.

## Item 18. Financial statements.

Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 205 to 354 of the attached Annual Report 2013 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 373 to 460 of the attached Annual Report 2013 and incorporated by reference herein.

## Item 19. Exhibits.

1.1 Articles of association (Statuten) of Credit Suisse Group AG as of February 5, 2014.
1.2 Articles of association (Statuten) of Credit Suisse AG as of March 21, 2014.
1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of October 17, 2013.
2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).
4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).
4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed March 12, 2013).
4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment (incorporated by reference to Exhibit 4.4 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).
4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC (incorporated by reference to Exhibit 4.5 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).
4.6 Agreement, dated October 10, 2013, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch.
7.1 Computations of ratios of earnings to fixed charges of Credit Suisse and of the Bank are set forth under IX – Additional Information – Statistical information – Ratio of earnings to fixed charges – Group and – Ratio of earnings to fixed charges – Bank on page 498 of the attached Annual Report 2013 and incorporated by reference herein.
8.1 Significant subsidiaries of Credit Suisse are set forth in Note 39 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 337 to 339, and significant subsidiaries of the Bank are set forth in Note 37 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 456 to 458 in the attached Annual Report 2013 and incorporated by reference herein.
9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.
9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.
12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.
101.1 Interactive Data Files (XBRL-Related Documents).

## SIGNATURES

Each of the registrants hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**CREDIT SUISSE GROUP AG**
(Registrant)
Date: April 3, 2014

| | |
|---|---|
| /s/ Brady W. Dougan | /s/ David R. Mathers |
| Name: Brady W. Dougan | Name: David R. Mathers |
| Title: Chief Executive Officer | Title: Chief Financial Officer |

**CREDIT SUISSE AG**
(Registrant)
Date: April 3, 2014

| | |
|---|---|
| /s/ Brady W. Dougan | /s/ David R. Mathers |
| Name: Brady W. Dougan | Name: David R. Mathers |
| Title: Chief Executive Officer | Title: Chief Financial Officer |

## Exhibit 9.1

### Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse Group AG

We consent to the incorporation by reference in the registration statement (No. 333-180300) on Form F-3 and in the registration statement (No. 333-101259) on Form S-8 of Credit Suisse Group AG of our reports dated April 3, 2014 with respect to the consolidated balance sheets of Credit Suisse Group AG and its subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 20-F of the Group.

KPMG AG

| | |
|---|---|
| /s/ Simon Ryder | /s/ Anthony Anzevino |
| Simon Ryder | Anthony Anzevino |
| *Licensed Audit Expert* | *Global Lead Partner* |
| Auditor in Charge | |

Zurich, Switzerland
April 3, 2014

## Exhibit 9.2

### Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse AG

We consent to the incorporation by reference in the registration statement (No. 333-180300) on Form F-3 of Credit Suisse AG of our reports dated April 3, 2014 with respect to the consolidated balance sheets of Credit Suisse AG and its subsidiaries (the "Bank") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 20-F of the Bank.

KPMG AG

| | |
|---|---|
| /s/ Simon Ryder | /s/ Anthony Anzevino |
| Simon Ryder | Anthony Anzevino |
| *Licensed Audit Expert* | *Global Lead Partner* |
| Auditor in Charge | |

Zurich, Switzerland
April 3, 2014

**Exhibit 12.1**

I, Brady W. Dougan, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: April 3, 2014

/s/ Brady W. Dougan
Name: Brady W. Dougan
Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

**Exhibit 12.2**

I, David R. Mathers, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;

4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: April 3, 2014

/s/ David R. Mathers
Name: David R. Mathers
Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG

## Exhibit 13.1

**Annual Certification**
**Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002**

Pursuant to subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code, each of the undersigned officers of Credit Suisse Group AG and Credit Suisse AG, incorporated in Switzerland (the "Companies"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2013 of the Companies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Companies for such period presented.

Dated: April 3, 2014

/s/ Brady W. Dougan
Name: Brady W. Dougan
Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

Dated: April 3, 2014

/s/ David R. Mathers
Name: David R. Mathers
Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG

CREDIT SUISSE

# Annual Report 2013

Credit Suisse Group AG & Credit Suisse AG

# Financial highlights

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Net income (CHF million)** | | | | | |
| Net income attributable to shareholders | 2,326 | 1,349 | 1,953 | 72 | (31) |
| of which from continuing operations | 2,181 | 1,389 | 1,978 | 57 | (30) |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 39 | (39) |
| Basic earnings per share | 1.22 | 0.79 | 1.32 | 54 | (40) |
| Diluted earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 39 | (39) |
| Diluted earnings per share | 1.22 | 0.79 | 1.32 | 54 | (40) |
| **Return on equity (%)** | | | | | |
| Return on equity attributable to shareholders | 5.7 | 3.9 | 6.0 | – | – |
| **Core Results (CHF million)** [1] | | | | | |
| Net revenues | 25,217 | 23,251 | 25,095 | 8 | (7) |
| Provision for credit losses | 167 | 170 | 187 | (2) | (9) |
| Total operating expenses | 21,546 | 21,193 | 22,149 | 2 | (4) |
| Income from continuing operations before taxes | 3,504 | 1,888 | 2,759 | 86 | (32) |
| **Core Results statement of operations metrics (%)** [1] | | | | | |
| Cost/income ratio | 85.4 | 91.1 | 88.3 | – | – |
| Pre-tax income margin | 13.9 | 8.1 | 11.0 | – | – |
| Effective tax rate | 36.4 | 24.6 | 23.8 | – | – |
| Net income margin [2] | 9.2 | 5.8 | 7.8 | – | – |
| **Assets under management and net new assets (CHF billion)** | | | | | |
| Assets under management from continuing operations | 1,253.4 | 1,197.8 | 1,133.5 | 4.6 | 5.7 |
| Net new assets from continuing operations | 36.1 | 11.4 | 43.7 | 216.7 | (73.9) |
| **Balance sheet statistics (CHF million)** | | | | | |
| Total assets | 872,806 | 924,280 | 1,049,165 | (6) | (12) |
| Net loans | 247,054 | 242,223 | 233,413 | 2 | 4 |
| Total shareholders' equity | 42,164 | 35,498 | 33,674 | 19 | 5 |
| Tangible shareholders' equity [3] | 33,955 | 26,866 | 24,795 | 26 | 8 |
| **Book value per share outstanding (CHF)** | | | | | |
| Total book value per share | 26.50 | 27.44 | 27.59 | (3) | (1) |
| Tangible book value per share [3] | 21.34 | 20.77 | 20.32 | 3 | 2 |
| **Shares outstanding (million)** | | | | | |
| Common shares issued | 1,596.1 | 1,320.8 | 1,224.3 | 21 | 8 |
| Treasury shares | (5.2) | (27.0) | (4.0) | (81) | – |
| Shares outstanding | 1,590.9 | 1,293.8 | 1,220.3 | 23 | 6 |
| **Market capitalization** | | | | | |
| Market capitalization (CHF million) | 43,526 | 29,402 | 27,021 | 48 | 9 |
| Market capitalization (USD million) | 49,224 | 32,440 | 28,747 | 52 | 13 |
| **BIS statistics (Basel III)** [4] | | | | | |
| Risk-weighted assets (CHF million) | 273,846 | 292,481 | – | (6) | – |
| CET 1 ratio (%) | 15.7 | 14.2 | – | – | – |
| Tier 1 ratio (%) | 16.8 | 15.2 | – | – | – |
| **Dividend per share (CHF)** | | | | | |
| Dividend per share | 0.70 [5] | 0.75 [6] | 0.75 [6] | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 46,000 | 47,400 | 49,700 | (3) | (5) |

1 Refer to "Results overview" in II – Operating and financial review – Core Results for further information on Core Results.
2 Based on amounts attributable to shareholders.
3 A non-GAAP financial measure. Tangible shareholders' equity is calculated by deducting goodwill and other intangible assets as shown on our balance sheet from total shareholders' equity.
4 Basel III became effective as of January 1, 2013.
5 Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
6 Paid out of reserves from capital contributions.

# Annual Report 2013



The **Annual Report 2013** is a detailed presentation of the Group's annual financial statements, company structure, corporate governance and compensation practices, treasury and risk management framework and a review of our operating and financial results.

**Annual Report – Cover** Relationship manager Gianluigi Pezzotta (left) from Credit Suisse's corporate clients business in Lugano believes that engaging in a personal discussion with clients at their offices is an important part of his work. He is pictured here with Umberto Zardi, President of Casale Group, in the entrance of the company's premises in Lugano. Casale Group is a global market leader in the production and modernization of nitrogenous fertilizer plants and won the Prix SVC Svizzera italiana in 2013.

The **Corporate Responsibility Report 2013** provides a detailed presentation on how the Group assumes its various responsibilities as a bank towards society and the environment.

The **Company Profile 2013** is enclosed in the Corporate Responsibility Report and a contains a summary of Credit Suisse' strategic direction, an overview of its organization and a brief description of its key businesses.
www.credit-suisse.com/responsibility.

**Corporate Responsibility Report – Cover** Credit Suisse assigns a high level of importance to the promotion of young talent. In 2013, a total of 1,370 young people received support as part of their professional training. HR Consultant Michael Seibold (center) from the Young Talents team is currently overseeing the development of 71 junior employees who are enrolled in a commercial apprenticeship or are participating in the Junior Banking Program for high school graduates. Michael Seibold is pictured here in the Uetlihof 2 office complex in Zurich together with the apprentices Maxime Seiler, Largesa Mena, Louise Brun, Denis Schnell and Fiona Bosshard (from left to right).

**Company Profile – Cover** On the campus of the Swiss Federal Institute of Technology (EPFL) in Lausanne, Credit Suisse operates a "branch of the future" where it tests new ideas and concepts in banking. The branch manager, Oliver Kratzer, and his colleagues, Yasmina Garchi and Luana Conticello, ensure that Credit Suisse is an integral part of daily campus life at EPFL.

## Credit Suisse Apps

**Investor Relations and Media**
allows investors, analysts, media and other interested parties to remain up to date with relevant online and offline financial information on Credit Suisse.

**The Swiss Financial Center and Credit Suisse**
provides an overview of the activities performed by Credit Suisse in Switzerland and the bank's multifaceted commitment to the Swiss financial center and economy.

**News & Expertise by Credit Suisse**
bundles expert knowledge of Credit Suisse into a dynamic news application, focusing on global trends in economics and finance.

**Credit Suisse Mobile Banking**
places all the advantages at your fingertips – anytime, anywhere. Use your mobile phone to pay bills, review credit card transactions, catch up on financial information, or track your safekeeping and other accounts in real time.

For the purposes of this report, unless the context otherwise requires, the terms "Credit Suisse Group", "Credit Suisse", "the Group", "we", "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the Swiss bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are referring only to Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries. Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of this report. Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report. In various tables, use of "–" indicates not meaningful or not applicable.

Urs Rohner (left), Chairman of the Board of Directors and Brady W. Dougan, Chief Executive Officer.

# Message from the Chairman and the Chief Executive Officer

## DEAR SHAREHOLDERS, CLIENTS AND COLLEAGUES

Five years after one of the biggest crises that the banking industry has seen, the strategy and evolution of both the industry and Credit Suisse are directly linked to changing regulatory requirements as well as changing market conditions and client needs that emerged from the crisis. As we present our results for the financial year 2013 to you, we think it is important to take a step back and look at how the industry and Credit Suisse have changed since 2008 and what we believe will be some of the future trends, opportunities and challenges for the banking industry, and specifically for Credit Suisse.

**Transformation of the banking industry in response to the financial crisis**

New and evolving regulatory requirements governing capital, leverage, liquidity and resolution planning, together with the steps banks have taken to adapt to them, have been critical to creating a safer and more resilient financial system. Since the financial crisis, regulators and banks around the world have worked to substantially reduce the probability of taxpayer-funded bank bailouts in the future. While initially there were concerns that distinct and, at times, conflicting requirements of different jurisdictions and regulatory authorities would make it difficult for global banks to operate competitively, there now appears to be a trend toward regulatory convergence. Under the developing requirements, banks around the globe have begun to significantly adapt their business models by increasing capital, reducing risk and taking significant steps to increase productivity and efficiency.

Credit Suisse took early and proactive steps to adapt to the changing environment and today is a markedly different bank than it was in 2008. We actively participated in discussions with regulators and evolved our Investment Banking business model to focus on high-returning and capital-efficient businesses. We strengthened the footprint of our Private Banking & Wealth Management franchise in growth markets, while improving the productivity of its operations. We reduced our total balance sheet assets by 25% from 2008 and reduced our Basel III risk-weighted assets, calculated on a look-through basis, by 28% since the third quarter of 2011 when we first started reporting risk-weighted assets under the Basel III framework. We improved our efficiency by lowering Credit Suisse's overall expense base by CHF 3.1 billion compared to the adjusted run rate for the first half of 2011. We also further strengthened our capital base in recent years, while striving to balance the interests of our various stakeholders. We continued to allocate capital to targeted growth areas, while returning to proposing a distribution entirely in cash to our shareholders.

**Trends, growth opportunities and challenges for the industry**

Notwithstanding these far-reaching changes, we remain convinced that there are attractive opportunities for targeted growth in the financial services industry. For example, according to the Credit Suisse Global Wealth Report 2013, global wealth is expected to increase by nearly 40% over the next five years, reaching USD 334 trillion by 2018, emerging markets are expected to account for around 29% of this growth.

At Credit Suisse, we continue to see significant growth potential for our Private Banking & Wealth Management and Investment Banking businesses in Asia and Latin America, as well as in parts of the Middle East and Eastern Europe. We plan to continue to invest in our franchises in those regions, as well as in the ultra-high-net-worth individual (UHNWI) client segment, while leveraging our strong market share position in Switzerland and other mature markets. We are also convinced that our repositioned Asset Management business, which is focused toward more liquid strategies and working closely with our other businesses, will continue to generate attractive returns.

Developments in the financial services industry are also expected to be materially shaped by technological advances. New participants in the form of non-bank financial institutions have entered the market, and we believe that they have the potential to capture market share from traditional banks and challenge established institutions to redefine their value propositions – whether in lending or even in wealth management.

As a bank with a long and rich heritage, Credit Suisse is distinguished from these new competitors given our experience in managing capital and liquidity and our established and extensive network. Credit Suisse has around 2.2 million clients worldwide, who place their trust in us as their financial partner, as well as 46,000 employees who can offer clients customized expertise and advice. One of the key challenges for our bank in the near future will be to implement technological solutions that allow us to make the full capabilities of our network and resources readily available to our clients and ensure that the vast information and expertise available within the bank is delivered to them promptly and efficiently. With this in mind, we are currently developing our integrated digital private banking service, which is expected to deliver intuitive online banking functionality and improve access for our clients.

International tax compliance and resolving legacy tax issues are major concerns for the Swiss banking industry, including Credit Suisse. We believe that all Swiss banks that remain active in cross-border business must comply with foreign tax requirements. Credit Suisse has long pursued a strategy of tax compliance and continues to support measures such as the automatic information exchange which help to ensure that assets deposited in banks around the globe are properly taxed. We are convinced that this strategy – as well as the country's political and economic stability and its high quality service offering – will help Switzerland to strengthen its leading position among international financial centers in the future. Although the financial services industry has suffered a loss of trust since the crisis, with many stakeholders questioning its values and principles, banks continue to play a pivotal role in the economy and society as a whole. Over the past 50 years, we saw relative prosperity in the developed parts of the world with unprecedented growth in the wealth of the middle class, followed by an increase in wealth in emerging markets driven by globalization. In part, this prosperity was driven by the existence of a properly functioning financial system. We believe that banks, through their intermediary role, will continue to be crucial to fostering economic growth and job creation.

Credit Suisse has been serving corporate clients and financing entrepreneurs since it was founded in 1856 and it has longstanding experience in the wealth management and capital markets businesses. As an employer, purchaser and investor, Credit Suisse makes a substantial contribution to economic output and employment. In 2013, Credit Suisse purchased over CHF 6 billion of goods, services and licenses from over 28,000 suppliers around the globe.

**Credit Suisse progress and achievements in 2013**

Throughout its history, Credit Suisse has evolved its business model and organizational structure in line with changing client needs, regulation and market conditions. In 2013, we made substantial progress in executing our strategy and building on steps that we have taken since 2008. Since the start of 2013, Credit Suisse has been operating under the Basel III regulatory framework, which was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation. During the year, we once again participated in discussions about national and international regulations, and we made further significant progress in our efforts to address the "Too Big to Fail" topic.

For 2013, we delivered Core pre-tax income of CHF 3,504 million compared to CHF 1,888 million in the prior year. Net income attributable to shareholders was CHF 2,326 million and the return on equity was 6%. Our strategic businesses reported Core pre-tax income of CHF 7,132 million. The return on equity of 13% for our strategic businesses in the full-year 2013 demonstrates the strength of our core franchises within our two divisions. In addition, we showed continued cost discipline with compensation and benefits expense down 9% from 2012 for the Group and down 10% in Investment Banking.

We largely completed our capital plan announced in July 2012 and ended 2013 with a Look-through Basel III CET1 ratio of 10.0%. We further reduced leverage exposure and reported a Swiss leverage ratio of 5.1%, as well as a Look-through Swiss leverage ratio of 3.7% as of the end of 2013. Based on our preliminary assessment, the Basel Committee's revised guidelines on the calculation of the leverage ratio would increase our year-end 2013 Look-through Swiss leverage ratio to close to 4%, which would meet the Swiss requirement applicable in 2019. We completed the exchange of CHF 3.8 billion of hybrid tier 1 notes into high-trigger capital instruments, successfully issued CHF 6 billion of low-trigger capital notes, and are now just approximately CHF 3 billion away from meeting the Swiss 2019 progressive capital requirement. Furthermore, as part of our 2013 compensation structure, we introduced a similar instrument which aligns compensation incentives to the capital strength of the Group, as well as providing additional tier 1 benefits.

In November 2013, we announced our program to evolve the Group's legal entity structure, which is designed to both result in a substantially less complex and more efficient operating infrastructure in view of the new regulatory requirements and meet future requirements for global recovery and resolution planning.

Throughout 2013, we continued to manage our legacy legal issues, and we will continue to do so in a responsible manner. With regard to the ongoing investigations by regulatory authorities into whether financial institutions engaged in an effort to manipulate LIBOR and other reference rates, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with the LIBOR matter. Furthermore, we are fully cooperating with industry investigations into trading activities and the setting of benchmark rates in foreign exchange markets, which are ongoing and it is too soon to predict the final outcome. Credit Suisse also continues its efforts to resolve legacy private banking cross-border US legal issues. In February 2014, Credit Suisse announced that it reached a settlement with the US Securities and Exchange Commission (SEC) and agreed to pay USD 196 million for violations of US securities laws that centered on activities between 2002 and 2008. Also, in February, the US Senate's Permanent Subcommittee on Investigations held a hearing to discuss legacy tax issues in the Swiss private banking industry. Four members of Credit Suisse's Executive Board testified at the hearing and discussed the bank's efforts to establish tax compliance by US clients. The investigation by the US Department of Justice (DOJ) in this matter remains outstanding. Primarily due to an increase in the litigation provision held against this matter, we announced in April 2014 that we incurred an after-tax charge of CHF 468 million in respect of our preliminary fourth-quarter 2013 and full-year 2013 results. In March 2014, we announced that Credit Suisse reached an agreement with the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac. The agreement resolves Credit Suisse's largest mortgage-related investor litigation, settling claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, Credit Suisse will pay USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against Credit Suisse. As a result of this settlement, we incurred an after-tax charge of CHF 275 million in respect of our preliminary fourth-quarter 2013 and full-year 2013 results.

In line with our strategy of shifting resources to focus on growth in high-return businesses – particularly in Private Banking & Wealth Management – we have created non-strategic units within our two divisions and separated non-strategic items in the Corporate Center. This is expected to allow us to further reduce costs, capital and leverage exposures in non-strategic businesses, and it represents an important step toward achieving a more balanced allocation of capital between our two divisions. The progress we have made and our investors' confidence in our strategy are also reflected in our share price, which increased 20% in 2013.

**Progress in Private Banking & Wealth Management**

Our global Private Banking & Wealth Management franchise remains at the core of Credit Suisse's strategy. For 2013, Private Banking & Wealth Management reported pre-tax income of CHF 3,240 million. For its strategic businesses, reported pre-tax income for 2013 increased 7% from 2012 to CHF 3,627 million, mainly driven by the successful restructuring of Asset Management business and growth in emerging markets and in the Wealth Management Clients business.

In 2013, we improved the profitability of our strategic businesses within Private Banking & Wealth Management, also completing the integration of our former Private Banking and Asset Management divisions. With this integrated value chain, we can support our highly scalable business model in Private Banking & Wealth Management, which is suited to the new regulatory environment. The integrated Private Banking & Wealth Management division allows us to better manage the alignment of the products, advice and services that we deliver to our clients and is expected to further enhance the productivity and efficiency of our businesses. Pre-tax income of Asset Management increased 32% from 2012 to 2013, which underscores the strength of the ongoing business and its importance in profit generation within the Private Banking & Wealth Management franchise.

In the area of advisory and expertise, all 4,330 Credit Suisse relationship managers worldwide have successfully completed our mandatory certification program and we are focused on ensuring that their skills are continually updated and deployed to maximum effect. In a further step that reflects our commitment to delivering high-quality investment advice and research insights, we established the Investment Strategy & Research Group in 2013. This group brings together all of Credit Suisse's investment specialists into a single unit seeking to produce better investment advice and results for our clients in terms of both discretionary and advisory investment views. In 2013, we continued to reallocate resources to growth areas, with a particular focus on emerging markets businesses, our global UHNWI client franchise and on leveraging our strong market position in Switzerland. In 2013, net new assets from Wealth Management Clients were CHF 18.9 billion, with emerging markets growing at 8%, and continued strong growth in the UHNWI client segment. We also recorded CHF 15.0 billion in net new assets from Asset Management, reflecting significant inflows into higher-margin products, and we continued to see strong inflows of CHF 8.8 billion from the Corporate & Institutional Clients business. We believe these strong inflows are indicative of the trust that clients place in Credit Suisse.

In terms of global client coverage, we continued to shift resources to those businesses where we see strong potential. We announced an agreement to acquire parts of a competitor's wealth management businesses, in order to further accelerate growth momentum in our international markets and in our UHNWI client segment.

In the course of 2013, we continued to adapt our onshore client service model for Western Europe, adjusting capacity to meet client needs, efficiently managing costs across our businesses and improving our overall market position. We announced the sale of our domestic private banking business booked in Germany in December 2013, while at the same time remaining highly committed to serving the German wealth management market on a cross-border basis. As part of our efforts to focus our offshore coverage, we announced plans in 2013 to exit certain smaller markets.

We plan to remain focused on further improving the profitability of our Private Banking & Wealth Management businesses by delivering growth in emerging markets and continuing to adjust our capacity in targeted mature markets to meet client needs.

**Progress in Investment Banking**

For 2013, Investment Banking reported pre-tax income of CHF 1,719 million. Total compensation and benefit expense was 10% lower in 2013 than in 2012.

Reported pre-tax income for its strategic business for 2013 was CHF 3,853 million, a 12% increase compared to the prior year. Continued sustained market share positions across our high-returning strategic businesses, combined with a reduced cost base and lower leverage and capital usage, helped Investment Banking achieve a return on Basel III allocated capital of 19% for 2013. Since the fourth quarter of 2012, the division reduced Basel III risk-weighted assets by USD 11 billion to USD 176 billion. Business reductions of USD 27 billion in 2013 were partially offset by increases relating to methodology changes and parameter updates of CHF 10 billion and, in the fourth quarter, an operational risk-related add-on of USD 6 billion.

Our strategy of rebalancing resources toward high market share and high-return businesses has proven effective. Today, 62% of the division's overall capital is allocated to Securitized Products, Global Credit Products, the Emerging Markets Group, Prime Services and Cash Equities. These are all businesses where we have a top-three market share and generate high returns. Given the increasing focus of regulators on leverage exposures and in view of the fundamental changes in the structure of the Rates market – with a shift towards clearing and electronic trading – we announced the restructuring of our Rates business in October 2013. This step forms part of the evolution of our Investment Banking business model and is expected to provide us with a simplified and more capital-efficient business that is focused on meeting client liquidity needs.

In connection with this measure, we also announced the creation of a cross-asset Global Macro Products Group, combining our Rates, Foreign Exchange and Commodities businesses into a single platform. This approach offers clients a comprehensive approach across the macro asset classes and allows us to focus our resources on those areas and products that matter most to them. We remain fully committed to serving our Fixed Income clients and believe that this cross-asset class model will help us meet their needs more effectively.

We believe that our Investment Banking division, featuring a top-three Equities franchise, a strong and profitable Underwriting & Advisory business and a Fixed Income franchise focused on high-returning yield businesses, is well positioned to continue to serve our clients' needs and deliver strong returns and profitability in 2014.

**Creating value for our clients and shareholders**

We are confident that the continued momentum we see in our strategic businesses, combined with the successful execution of the run-off of positions and losses in our non-strategic units, will allow us to achieve our targeted return on equity of 15% through the cycle.

Given the progress we have made in implementing our capital plan and in reducing leverage and risk-weighted assets while, at the same time, improving the operational efficiency of the bank, the Board of Directors at the annual general meeting of Credit Suisse Group on May 9, 2014 will propose a cash distribution of CHF 0.70 per share to be paid out of reserves from capital contributions for the financial year 2013. This is intended to provide a basis for future progression in our dividend payments as we continue to execute our strategy and resolve legacy issues.

We are active in attractive markets and have transformed our integrated bank in recent years to further improve our profitability and returns in the evolving operating environment, while continuing to place our clients' needs first and maintaining positive market share momentum across targeted businesses. To retain the trust of our clients, shareholders and other stakeholders, we must consistently deliver on our targets – both financial and strategic. And we want to set an example in the marketplace when it comes to compliance and professional standards.

Although the banking sector has already undergone a significant transformation since the crisis began, the industry landscape is expected to continue to evolve. With our integrated Basel III-compliant business model, we are confident that we can continue to adapt to these changes while acting as a strong and reliable partner to our clients, shareholders and employees.

We would like to thank our shareholders and clients for their loyalty to Credit Suisse and for the trust they placed in us in 2013. We also wish to thank all our employees for their ongoing commitment and contribution to the success of our business.

Best regards

Urs Rohner
Chairman of the
Board of Directors

Brady W. Dougan
Chief Executive Officer

April 2014

Adjusted cost run-rate results are measured against our annualized six-month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

As of January 1, 2013, Basel III was implemented in Switzerland along with the "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown herein. Capital and ratio numbers for periods prior to 2013 are based on estimates, which are calculated as if the Basel III framework had been in place in Switzerland during such periods. For Investment Banking's strategic businesses, return on Basel III allocated capital is calculated using income after tax denominated in US dollars and assumes (i) a tax rate of 28% in 2013; and (ii) that capital is allocated at 10% of average Basel III risk-weighted assets.

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss leverage ratio is calculated as Swiss Total Capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

All references to pre-tax income for Core results refer to income from continuing operations before taxes.

# I

# Information on the company

# Credit Suisse at a glance

**Credit Suisse**

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients, to ultra-high-net-worth and high-net-worth individuals worldwide, as well as affluent and retail clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 46,000 employees from approximately 150 different nations. Our broad footprint helps us to generate a geographically diverse stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

**Private Banking & Wealth Management**

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Our Wealth Management Clients business serves ultra-high-net-worth and high-net-worth individuals around the globe, as well as affluent and retail clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

**Investment Banking**

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

# Strategy

## AN INTEGRATED GLOBAL BANK

We offer our clients in Switzerland and around the world a broad range of traditional and customized banking services and products. We believe that our ability to serve clients globally with solutions tailored to their needs gives us a strong advantage in today's rapidly changing and highly competitive marketplace.

We operate as an integrated bank, combining our strengths and expertise in our two global divisions, Private Banking & Wealth Management and Investment Banking. Our divisions are supported by our Shared Services functions, which provide corporate services and business solutions while ensuring a strong compliance culture. Our global structure comprises four regions: Switzerland; Europe, Middle East and Africa (EMEA); Americas; and Asia Pacific. With our local presence and global approach, we are well positioned to respond to changing client needs and our operating environment.

## PROGRESS ON OUR STRATEGY

In 2013, we continued to make significant progress in executing our client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends while delivering attractive returns to shareholders. We are progressing towards achieving specific goals to reduce our cost base and strengthen our capital position, and we have operated under the Basel III capital framework since January of 2013. We have further optimized our business footprint, continuing to shift resources to focus on growth in high-returning businesses while moving towards a more balanced capital allocation between our Investment Banking and Private Banking & Wealth Management divisions. As a result of this progress, we believe that Credit Suisse today is better positioned to perform in a challenging market environment and compete in our chosen businesses and markets around the world.

### Private Banking & Wealth Management

Our Private Banking & Wealth Management division is comprised of our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In our Wealth Management Clients business our Swiss home market remains a key area of focus and we continued to pursue our international growth strategy, most notably in fast-growing emerging markets and in our ultra-high-net-worth individual (UHNWI) client segment, and we further optimized our market footprint while capturing growth in select profitable onshore markets. In our Corporate & Institutional Clients business in Switzerland, we offer comprehensive solutions to companies and institutional clients and we continued to build out our capabilities in international growth markets. In our Asset Management business, we continued to strengthen our focus on liquid, scalable alternative investment products, emerging markets and multi-asset class solutions, while exiting subscale, non-core or less capital-efficient businesses.

### Investment Banking

In the Investment Banking division, we remain committed to offering our key clients a spectrum of equities, fixed income, and investment banking advisory products and services. We are focused on businesses where we have a competitive advantage and where we are able to operate profitably and with an attractive return on capital in the new regulatory environment. While the industry still faces significant adjustments to new regulatory requirements, we have substantially evolved our business model to one that is fully compliant with the Basel III regulatory framework, including exiting certain non-Basel III compliant businesses. We will continue to invest in our market-leading, high-returning businesses while optimizing our risk-weighted assets and cost base to further improve returns.

### Introduction of Non-strategic units

In the fourth quarter of 2013, we created non-strategic units within our Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives.

We decided to retain these non-strategic units within the divisions, rather than establishing a single non-strategic unit, so as to benefit from senior management's expertise and focus. The non-strategic units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board. As a result, we expect that the establishment of these non-strategic units will drive further reductions in Swiss leverage exposure and risk-weighted assets. It is also expected to free up capital for future growth in Private Banking & Wealth Management, accelerating a move towards a more balanced capital allocation between Investment Banking and Private Banking & Wealth Management, and to allow us to return capital to our shareholders.

▸ Refer to "Format of presentation and changes in reporting" in II – Operating and financial review – Credit Suisse – Information and developments for further information on non-strategic units in Private Banking & Wealth Management and Investment Banking.

### Capital and leverage ratio

In 2013, we continued to strengthen our capital position in light of the evolving regulatory environment, which included the implementation of the Basel III framework and regulations under the Swiss "Too Big to Fail" legislation in January 2013. We issued Basel III-compliant contingent capital instruments and reduced risk-weighted assets to achieve a Basel III look-through common equity tier 1 (CET1) ratio of 10.0% as of year-end 2013, exceeding the requirement applicable in 2019. In addition, we have further optimized our balance sheet and leverage exposure, leading to an improved Swiss look-through leverage ratio of 3.7% as of year-end 2013 compared to the current 4% requirement for 2019. We continue to deploy capital in a disciplined manner based on our economic capital model, assessing our aggregated risk taking in relation to our client needs and our financial resources.

▸ Refer to “Capital management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on capital and leverage ratio trends.

**Group cost efficiencies**

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

We expect to incur approximately CHF 1.4 billion of business realignment costs associated with these measures during the course of 2014 to 2015.

We continue to adjust and optimize our footprint across businesses and regions and adapt Shared Services to changing business priorities.

▸ Refer to “Cost savings and strategy implementation” in II – Operating and financial review – Core Results – Information and developments for further information.

## GROUP PRIORITIES

We expect our client-focused, capital-efficient strategy will enable us to benefit from a more constructive market environment while limiting our risk exposure in down markets. We have greater clarity on our future regulatory environment, and we are well advanced on implementation.

We target an after-tax return on equity of 15% across market cycles. To track our progress and benchmark our performance, we have defined a set of key performance indicators for growth, efficiency and performance, and capital to be achieved across market cycles.

▸ Refer to “Key performance indicators” in II – Operating and financial review – Core Results – Information and developments for further information.

Building on the momentum we have established, we aim to further focus on our most profitable client businesses, gain market share, strengthen our geographic footprint, and drive ongoing efficiency improvements. To achieve our goals, we continue to focus on the following six pillars of our strategy.

**Client focus**

We put our clients’ needs first. We aspire to be a consistent, reliable, flexible and long-term partner focused on clients with complex and multi-product needs, such as UNHWI, large and mid-sized companies, entrepreneurs, institutional clients, hedge funds and affluent clients in Switzerland. By listening attentively to their needs and offering superior solutions, we empower our clients to make better financial decisions. Against the backdrop of significant changes within our industry, we strive to consistently enable our clients to realize their goals and thrive. We continue to strengthen the coverage of our key clients by dedicated teams of senior executives who can deliver our integrated business model. We have a strong capital position and high levels of client satisfaction and brand recognition, and our strong client momentum is well recognized.

**Employees**

We continue our efforts to attract, develop and retain top talent in order to deliver outstanding financial products and services to our clients. Our candidates go through a rigorous interview process, where we not only look for technical proficiency and intellect, but for people who can thrive in and contribute to our culture. We review our talent and identify the optimal development opportunities based on individual and organizational needs. We strongly promote cross-divisional and cross-regional development, as well as lateral recruiting and mobility. Valuing different perspectives, creating an inclusive environment and showing cross-cultural sensitivity are key to Credit Suisse’s workplace culture. We train our leaders, specialists and client advisors in a wide range of subjects. We take a prudent and constructive approach to compensation, designed to reflect the performance of individuals and the firm and closely align the interests of employees with those of shareholders.

**Capital and risk management**

We believe prudent risk taking aligned with our strategic priorities is fundamental to our business, and we maintain a conservative framework to manage liquidity and capital. We continue to strengthen our capital base with a focus on additional issuances of contingent capital instruments and decreasing risk-weighted assets and leverage exposures. For the Group, our long-term goal for risk-weighted assets is approximately CHF 250 billion and a Swiss leverage exposure below CHF 1,070 billion, post run-off of exposures in our non-strategic units.

**Efficiency**

We continue to strive for top-quartile efficiency levels, while being careful not to compromise on growth or reputation. In line with the evolution of our strategy, implemented efficiency measures are generating significant cost savings while helping to build an efficiency culture. We have increased deployment under our Centers of Excellence (CoE) program to almost 15,000 roles, including contractors as well as third party affiliates and vendors working for Credit Suisse. We have established initiatives to further leverage the service capabilities and talent at our CoE sites.

Following efficiency measures implemented during 2013, we adjusted our overall cost savings targets measured against our annualized six month 2011 expense run rate to more than CHF 4.5 billion by the end of 2015, adjusted on the same basis as previously described. We have also updated our cost/income targets to achieve 65% in Private Banking & Wealth Management and 70% in Investment Banking across market cycles.

### Collaboration

We are convinced that close collaboration between our divisions and regions is essential to delivering comprehensive solutions to the complex financial needs of our clients. We have established a dedicated governance structure in order to drive, measure and manage collaboration among our businesses. We target collaboration revenues of 18% to 20% of net revenues. In 2013 collaboration revenues represented 18% of net revenues. Since the inception of our collaboration program in 2006, we have built a strong track record of delivering customized value propositions. We believe this is a significant differentiator for Credit Suisse. We have observed increasing momentum in collaboration initiatives, including tailored solutions for entrepreneurs and high-net-worth individual (HNWI) clients by Investment Banking and managed investment products developed by Private Banking & Wealth Management. As we also benefit from our programs for cross-divisional management development and lateral recruiting, collaboration revenues, including cross-selling and client referrals, have proven to be a resilient source of both revenues and assets under management.

### Corporate responsibility

We strive to assume our corporate responsibilities in every aspect of our work and we conduct our business based on our broad understanding of our role as a financial services provider, member of society and employer. Our approach also reflects our commitment to protecting the environment. To ensure that we supply the full breadth of information required by our stakeholders, we publish a Corporate Responsibility Report and additional information, which can be found at www.credit-suisse.com/responsibility.

## CODE OF CONDUCT

At Credit Suisse, we are convinced that our responsible approach to business is a decisive factor determining our long-term success. We therefore expect all our employees and members of the Board of Directors to observe the professional standards and ethical values set out in our Code of Conduct, including our commitment to complying with all applicable laws, regulations and policies in order to safeguard our reputation for integrity, fair dealing and measured risk-taking. Our Code of Conduct is available on our website at www.credit-suisse.com/code.

## INDUSTRY TRENDS AND COMPETITION

For the financial services industry, 2013 was a challenging year, with banks seeking to adapt to new regulatory requirements, changing macroeconomic conditions and evolving client needs. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. In Switzerland, developments in the cross-border wealth management business continued to be driven by a focus on finding a political basis for operating this business in the future and ongoing efforts to resolve legacy tax matters, particularly with European countries and the US.

▸ Refer to “Our businesses – Private Banking & Wealth Management” and “Our businesses – Investment Banking” for further information.

# Our businesses

## PRIVATE BANKING & WEALTH MANAGEMENT

### Business profile

Within the Private Banking & Wealth Management division, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients. The strategic businesses of Private Banking & Wealth Management comprise Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

Our **Wealth Management Clients** business is one of the largest in the international wealth management industry, serving over two million clients, including UHNWI and HNWI clients around the globe in addition to affluent and retail clients in Switzerland. We offer our clients a distinct value proposition, combining global reach with a structured advisory process and access to a broad range of comprehensive products and services. Our global network includes 3,770 relationship managers in 41 countries with close to 300 offices and 21 booking centers. As of the end of 2013, our Wealth Management Clients business had assets under management of CHF 790.7 billion.

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, mainly in Switzerland, including large corporate clients, small and medium size enterprises (SME), institutional clients, financial institutions, shipping companies and commodity traders. Around 1,600 employees, including 560 relationship managers, serve our clients out of 52 locations. While the Swiss home market remains our main focus, we also continue to build out our capabilities in international growth markets with dedicated teams in Luxembourg, Singapore and Hong Kong. As of the end of 2013, our Corporate & Institutional Clients business reported CHF 353.3 billion of client assets and CHF 62.4 billion of net loans.

Our **Asset Management** business offers investment solutions and services globally to a wide range of clients, including pension funds, governments, foundations and endowments, corporations and individuals. We invest across a broad range of asset classes with a focus on alternative investment strategies, emerging markets, asset allocation and traditional investment strategies. Our investment professionals deliver access to best-in-class products and holistic client solutions. Our Asset Management business had CHF 352.3 billion of assets under management as of the end of 2013.

We have established a **non-strategic unit** in Private Banking & Wealth Management to include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products. The non-strategic unit allows management to focus on ongoing businesses and growth initiatives and further accelerates the reduction of capital and costs currently tied up in non-strategic businesses.

### Key data – Private Banking & Wealth Management

| | | | in / end of |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| **Key data** | | | |
| Net revenues (CHF million) | 13,442 | 13,474 | 13,397 |
| Income before taxes (CHF million) | 3,240 | 3,775 | 2,961 |
| Assets under management (CHF billion) | 1,282.4 | 1,250.8 | 1,185.2 |
| Number of employees | 26,000 | 27,300 | 28,100 |

### Industry trends and competition

We believe the **wealth management** industry continues to have positive growth prospects. Assets of UHNWI and HNWI globally are projected to grow approximately 7% annually over the next five years. Although wealth creation continues to be at higher growth rates in emerging markets compared to mature markets, the difference in growth compared to mature markets is expected to be less significant than in recent years. Nevertheless, the higher growth rates in emerging markets, especially in Asia Pacific, fueled by entrepreneurial activity and comparatively strong economic development, are expected to keep adding weight to these regions. With around two-thirds of the world's global wealth still located in the US, Japan and Western Europe, the mature markets continue to be of crucial importance for global wealth managers.

Structurally, the industry continues to undergo significant change. Regulatory requirements for investment advisory services continue to increase, including in the areas of suitability and appropriateness of advice, client information and documentation. Further, new and proposed laws and international treaties are leading to increased regulation of cross-border banking. We believe Credit Suisse is well advanced in adapting to this new environment as we have and are continuing to dedicate significant resources to ensure our business is compliant with regulatory standards.

We believe the market for **corporate and institutional banking** services continues to offer attractive business opportunities in Switzerland and internationally. However, the competition among financial institutions is intense and the low-interest rate environment as well as negative impacts from the continued weakness of the US dollar versus the Swiss franc remains challenging, resulting in continuous pressure on margins.

The **asset management** industry overall has returned to growth, with the largest managers continuing to capture the majority of asset flows. Within the asset management industry, allocations to alternative investments and solution-orientated investments have continued to increase due to projected low returns from fixed-income products and shifting investor preferences. Within alternatives, the hedge fund industry experienced expansion with increased asset flows in 2013, bringing assets under management to record highs. Private equity fundraising rebounded, raising the largest amount of capital since the global financial crisis in 2008 led by fundraising for investment in developed economies. The regulatory environment continued to evolve in 2013 and is expected to continue to trend toward simpler, more regulated fund structures in conjunction with investors seeking better transparency and risk management.

For the wealth and asset management industry in general, revenue levels remain under pressure due to continued low interest rates as well as clients choosing a more conservative asset mix and reducing their overall investment activity in the face of macroeconomic uncertainty, including specific events such as expected changes in US monetary policy and continued focus on the European sovereign debt crisis. Competition and cost pressure in the banking industry remain intense and the industry is affected by new capital and leverage requirements, forcing many competitors to continue to review their business strategies and operating models. Attracting and retaining the best talent continues to be a key factor for success. As a result of these structural industry trends, we expect industry consolidation and restructuring to continue.

We believe Switzerland is well positioned to continue as an attractive financial center in this changing marketplace, offering clients a politically stable and economically diversified investment environment combined with a long-standing heritage in wealth and asset management services. For Swiss institutions, the Swiss franc remains strong historically, even given the actions by the Swiss National Bank (SNB) to maintain a minimum exchange rate against the euro. This strength can adversely affect operating performance for Swiss institutions as revenues are based on assets under management that are often denominated in currencies that have weakened against the Swiss franc but a substantial portion of the related expenses are incurred in Swiss francs.

**Strategy**

Following the decision in late 2012 to integrate our former Private Banking and Asset Management divisions into a single, new Private Banking & Wealth Management division, we retained the operating and reporting structure along the lines of our strategic businesses (i) Wealth Management Clients, (ii) Corporate & Institutional Clients and (iii) Asset Management. The integration of the formerly separate divisions allowed us to implement a more efficient, cost effective operating model that better serves our clients. In particular, our investment views have been further aligned and tailored locally, leading to a simpler product shelf and streamlined delivery. In addition, we have regionalized and focused our product offering to shorten our response time to product needs and improve time-to-market. Finally, we have transitioned our sales & trading capabilities from Investment Banking into Private Banking & Wealth Management, to become more efficient and offer more effective buy-side execution.

We expect to make additional progress by continuing our long-term strategy focused on:

- Advice at the core
- Global growth
- Productivity management
- Regulatory compliance
- Integrated bank
- Best people

**Advice at the core:** We strive for our clients to benefit from our value-adding services in terms of advice and performance. Our advisory value proposition is a vital part of our wealth management strategy to provide our clients with specific advice around their asset allocation and asset-liability management needs. Our globally consistent advisory process, which is at the center of our wealth management advice, allows us to define an investment strategy in line with each individual client's risk profile and to deliver tailor-made and comprehensive financial solutions to our clients. To ensure the highest standards in our product offerings, our selection of internal and third-party solutions is based on comprehensive due diligence with regard to the suitability of products and advice. In line with industry trends, we continue to adapt our offering by launching a suite of inducement-free mandates and are planning to introduce a pricing model that more directly links our fee schedules to the level of service and advice provided to our clients.

**Global growth:** We saw a further expansion of our footprint in emerging markets in the last year with strong net new asset growth of 8%. To further capture the superior growth opportunities of these regions, we are planning to realign the expense base away from non-strategic and mature markets towards faster growing emerging markets. Our Swiss home market remains a key area of focus where we plan to leverage our strong market position and cross-segment collaboration to further increase scale. In mature markets outside Switzerland, we make selective investments to strengthen our profitable onshore franchises.

**Productivity management:** Key to achieving our productivity enhancements are the efficiency management programs that we announced and began implementing in November 2011 and further expanded with the creation of the combined division in November 2012. We are targeting CHF 950 million of direct expense savings as part of Credit Suisse's firm-wide cost savings target of CHF 4.5 billion by the end of 2015. The savings are mainly expected to come from the wind-down of non-strategic businesses, the streamlining of the Swiss client coverage model, the rationalization of support functions and increasing automation, and savings from efficiency measures in our Western European and US onshore locations.

**Regulatory compliance:** We are dedicated to strict compliance with national and international regulations and we proactively develop and implement new business standards to address changes in the regulatory environment.

**Integrated bank**: The value proposition of our integrated bank remains a key strength in our client offerings. Close collaboration with the Investment Banking division enables us to offer additional customized and innovative solutions to our clients, especially to UHNWI clients, our fastest growing client segment. We strive to further strengthen our market share by continuing to build out our specific UHNWI product offerings, including the expansion of secured lending.

**Best people:** Attracting, developing and retaining the industry's top talent continues to be a vital cornerstone of our strategy. Therefore, while reducing the overall headcount in 2013 in accordance with our efficiency targets, we continued to hire experienced senior relationship managers, who accounted for 63% of our relationship manager hires. We also continued and added to our extensive training and certification programs through which we enhance our existing talent pool.

### Wealth Management Clients

In 2013, we continued to make significant progress towards our goal of becoming the leading private bank for UHNWI and HNWI clients globally while efficiently growing our affluent and retail business in our Swiss home market.

In our home market in **Switzerland**, our clients range from the retail segment up to UHNWI. They benefit from a broad service offering and widespread local presence. Our nation-wide branch network with over 200 locations allows us to stay in close contact with our clients and to identify new business opportunities across client segments. To further enhance efficiencies and improve productivity we have delayered our service model and implemented two focused business areas: First, a dedicated coverage team for UHNWI and External Asset Managers to meet the complex and demanding needs of these clients, which often resemble those of institutional clients. Second, a more effective coverage organization for our clients in Switzerland, ensuring high client proximity and a seamless service offering for our clients ranging from the retail and affluent to the HNWI segment. To expand our already strong position in Switzerland we are continuously adapting our service offering. For instance, to strengthen our position as the market leader in the External Asset Manager business, we have successfully launched eamXchange, an innovative platform that combines business-oriented goals with social media tools.

In **emerging markets** we continue to make focused investments to capture the attractive growth prospects in these regions. Our clients benefit from our broad global footprint and the services we provide in collaboration with Credit Suisse's established global Investment Banking presence. The importance of emerging markets for our Wealth Management Clients business has continued to increase, with assets from emerging markets accounting for 37% of our assets under management as of year-end 2013 (compared to 35% at the end of 2011). We are further increasing depth in key markets like Brazil, China, Indonesia, the Middle East and Russia, and continue to enhance our Singapore and Hong Kong on- and offshore offerings. We expect to further accelerate our emerging markets expansion by extending our secured lending offerings and increasing the hiring of experienced relationship managers in these regions. We also plan to invest in our digital client interface to include a wider product range, portfolio analytics, research and transaction services, particularly in Asia. Our achievements in emerging markets are being recognized with private banking and wealth management awards, including recently the *Euromoney Private Banking Survey 2014* regional award for "Best Private Bank in Central and Eastern Europe" and the *Asian Private Banker Award for Distinction 2013* for "Best Private Bank – Asia".

In **mature markets** in Western Europe, North America, Japan and Australia, we are transforming our businesses to accelerate growth, enhance efficiency and adjust to the new regulatory environment. In Western Europe, the announcement of the sale of our domestic private banking business booked in Germany, which is expected to close in 2014, marks an important achievement. We remain fully committed to serving German wealth management clients and will do so on a cross-border basis, leveraging our comprehensive platforms in Switzerland and Luxembourg. We also plan to continue to grow select profitable onshore markets, including those in Italy and Spain. The launch of our advisory branch in Portugal and our agreement to acquire Morgan Stanley's private wealth management businesses in EMEA, excluding Switzerland, are further evidence of our commitment to successfully grow our presence in mature markets.

In all regions, the **UHNWI** client segment is an important growth driver for our business. By combining individual and comprehensive advice with dedicated investment ideas we continue to focus on this fast-growing client segment. Our offer is complemented by customized and innovative asset management and investment banking solutions based on our integrated bank approach. We continue to successfully execute our growth strategy, as UHNWI clients represented 45% of our assets under management at year-end 2013, compared to 37% at the end of 2011. We plan to continue to build out our specific product capabilities for UHNWI clients to further capture the segment's growth potential, including the expansion of our secured lending offering.

To further reduce operational complexity and respond to increasing regulatory scrutiny, primarily in our cross-border business, we decided to fully exit from serving clients domiciled in over 80 small markets, primarily in Eastern EMEA. Similarly, we decided to discontinue servicing lower band wealth client segments in over 60 additional mainly small markets. These decisions, which are largely scheduled to be implemented through 2014, are expected to have a minor impact on our assets under management while creating efficiency and productivity gains by ensuring that our attention and resources are focused on core markets and client segments.

### Corporate & Institutional Clients

In 2013, we successfully leveraged our strong market position in Switzerland and cross-segment collaboration, while increasing productivity and profitability.

We maintained and selectively improved our leading position in Switzerland as a trusted and proactive partner particularly in our business with corporates as well as with institutional clients. We increased our margins significantly over the whole business portfolio through active loan management. In order to support these measures, we rolled out a comprehensive Sales Excellence Training to all levels. Internationally, we reinforced our growth strategy by strengthening our presence in the Asia Pacific region, while we reduced non-core and capital intensive business activities in line with the Group's goal to further improve capital ratios and focus on core activities.

Also in 2013, we were recognized with several awards, including "Best Trade Finance Bank in Switzerland" by *Global Finance* magazine, "Best Swiss Global Custodian" and "Best European Global Custodian" by *R&M Surveys* and "Best Private Bank for Business Jet Finance 2013" by *Corporate Jet Investor* magazine.

### Asset Management

In 2013, we made significant progress in our strategy, executing several business and assets sales while focusing on growth areas in alternative investment strategies and core investments. We reorganized our distribution efforts to expand our client reach through our own teams and third-party distribution channels. With the formation of a single Private Banking & Wealth Management division, we ensure close collaboration between the wealth and asset management businesses. Our clients benefit from the division-wide alignment and focusing of our investment ideas and our UHNWI clients, in particular, from the increased speed in the delivery of individually customized investment solutions. We continue to streamline and simplify our businesses which is resulting in significant headcount and operating expense reductions.

In alternative investments, we are focusing on providing investors with attractive alternatives to equities and traditional fixed income. With CHF 76.4 billion in assets under management, we are one of the leading alternatives managers globally. Our goal is to further increase scale in our main businesses and to seize opportunities in specialized niche areas. Our highly successful raising of capital for our collateralized loan obligation fund and inflows in our Brazilian hedge funds, securitized products and commodities contributed significantly to net asset inflows of CHF 11.1 billion in alternative assets. In 2013, we successfully launched new products in emerging markets, including Aventicum, our joint venture with Qatar Holdings, and NEXT, a venture capital fund. In addition, we successfully raised funds for Peninsula Investimentos SA, which sponsors and manages hedge funds with a focus on Brazilian macroeconomic funds and private equity funds.

With CHF 275.5 billion assets under management, our core investments business is a leader in the Swiss market, offering equity, fixed income, real estate, index and multi-asset class solutions products. Our strategic areas of focus include positioning our core investments business as a European investment manager, expanding our footprint in Asia and launching dedicated solutions and products for UHNWI clients. Our real estate business is a market leader in Switzerland and the second-largest European property fund manager.

During 2013 we completed the sale of our exchange-traded funds business to BlackRock and the sale of Strategic Partners, our dedicated secondary private equity business, to Blackstone. In August 2013, we announced the sale of the Customized Fund Investment Group, our private equity fund of funds and co-investment business, to Grosvenor Capital Management. This transaction was completed in the first quarter of 2014. Further, we announced an agreement to acquire Morgan Stanley's private wealth management businesses in EMEA, excluding Switzerland; after a first closing in December 2013, we expect to complete this transaction during the course of 2014.

## Products and services

The Private Banking & Wealth Management division offers a variety of products and services. They can be broadly divided into those products and services provided by each of our businesses within the division, as described below.

### Wealth Management Clients

In Wealth Management Clients, our service offering is based on our structured advisory process, client segment specific value propositions, comprehensive investment services and our multi-shore platform.

- **Structured advisory process:** We apply a structured approach based on a thorough understanding of our clients' needs, personal situation, product knowledge, investment objectives and a comprehensive analysis of their financial situation to define individual client risk profiles. On this basis we define together with our clients an individual investment strategy. This strategy is implemented ensuring that portfolio quality standards are adhered to and that all investment instruments are compliant with suitability and appropriateness standards. Responsible for the implementation are either the portfolio managers, in the case of discretionary mandates, or our relationship managers working together with their advisory clients.
- **Client segment specific value propositions:** We offer a wide range of wealth management solutions tailored to specific client segments. UHNWI and HNWI clients contributed 45% and 42%, respectively, of assets under management in Wealth Management Clients at the end of 2013. For entrepreneurs, we offer solutions for a range of private and corporate wealth management needs, including succession planning, tax advisory, financial planning and investment banking services. Our entrepreneur clients benefit from the advice of Credit Suisse's corporate finance advisors, access to a network of international investors and professional support in financial transactions. A specialized team, Solutions Partners, offers holistic and tailor-made business and private financial solutions to our UHNWI clients.
- **Comprehensive investment services:** We offer a comprehensive range of investment advice and discretionary asset management services based on the outcome of our structured advisory process and the guidelines of the Investment Strategy & Research Group and the Credit Suisse Investment Committee. We base our advice and services on the analysis and recommendations of our research teams, which provide a wide range of global research including macroeconomic, equity, bond and foreign-exchange analysis, as well as research on the Swiss economy. Our investment advice covers

a range of services from portfolio consulting to advising on individual investments. We offer our clients portfolio and risk management solutions, including managed investment products. These are products actively managed and structured by our specialists or third parties, providing private investors with access to investment opportunities that otherwise would not be available to them. For clients with more complex requirements, we offer investment portfolio structuring and the implementation of individual strategies, including a wide range of structured products and alternative investments. Discretionary asset management services are available to clients who wish to delegate the responsibility for investment decisions to Credit Suisse. We are an industry leader in alternative investments and, in close collaboration with our Asset Management business and Investment Banking, Wealth Management Clients offers innovative products with limited correlation to equities and bonds, such as hedge funds, private equity, commodities and real estate investments.

- **Multi-shore platform:** With global operations comprising 20 international booking centers in addition to our operations in Switzerland, we are able to offer our clients booking capabilities locally as well as through our international hubs. Our multi-shore offering is designed to serve clients who are focused on geographical risk diversification, have multiple domiciles, seek access to global execution services or are interested in a wider range of products than are available to them locally. In 2013, CHF 23.6 billion of net new assets in Wealth Management Clients were booked outside of Switzerland, and we expect that international clients will continue to drive our growth in assets under management.

### Corporate & Institutional Clients

In Corporate & Institutional Clients, we supply a comprehensive range of financial solutions to companies and institutional clients. Our offering is derived from our clients' needs and delivered through our integrated franchise and growing international presence. With this foundation, we are able to assist our clients in virtually every stage of their business cycle and cover their banking needs in Switzerland and abroad. For corporate clients we provide a wide range of basic banking products such as traditional and structured lending, payment services, foreign exchange, capital goods leasing as well as investment solutions. Furthermore, together with the Investment Banking division we offer tailor-made services in the areas of mergers and acquisitions, syndications and structured finance. For corporations with specific needs for global finance and transaction banking, we provide services in commodity trade finance, export finance as well as trade finance and factoring. For our institutional clients, including pension funds and public sector clients, we offer a wide range of fund solutions and fund-linked services, including fund management and administration, fund design and comprehensive global custody solutions. Our offering also includes ship and aviation finance and a competitive range of services and products for financial institutions such as securities, cash and treasury services.

### Asset Management

In Asset Management, we offer institutional and individual clients a range of products, including alternative and core traditional products. We reach our clients through our own distribution teams in Private Banking & Wealth Management, the Investment Banking division and through third-party distribution channels.

Our alternative investment offerings include hedge fund strategies, alternative beta, commodities and credit investments. We offer access to various asset classes and markets through strategic alliances and key joint ventures with external managers and have a strong footprint in emerging markets.

Our core investment products include multi-asset class solutions, which provides clients with innovative strategies and comprehensive management across asset classes to optimize client portfolios with services that range from funds to fully customized solutions. Other core investment strategies include a suite of fixed income, equity and real estate funds, and our indexed solutions business which provides institutions and individual clients access to a wide variety of asset classes in a cost-effective manner. Stressing investment principles such as risk management and asset allocation, we take an active and disciplined approach to investing.

## INVESTMENT BANKING

### Business profile

Investment Banking provides a broad range of financial products and services, focusing on businesses that are client-driven, flow-based and capital-efficient. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and capital raising and advisory services as well as comprehensive investment research. Our clients include corporations, governments, institutional investors, including pension funds and hedge funds, and private individuals around the world. We deliver our global investment banking capabilities via regional and local teams based in major developed and emerging market centers. Our integrated business model enables us to gain a deeper understanding of our clients and deliver creative, high-value, customized solutions based on expertise from across Credit Suisse.

### Key data – Investment Banking

| | | | in / end of |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| **Key data** | | | |
| Net revenues (CHF million) | 12,565 | 12,558 | 10,460 |
| Income/(loss) before taxes (CHF million) | 1,719 | 2,002 | (593) |
| Number of employees | 19,700 | 19,800 | 20,700 |

### Industry trends and competition

2013 was a challenging year, particularly in our fixed income sales and trading business, marked by market uncertainty regarding US monetary policy, heightened volatility in emerging markets and the impact of the US government shutdown. As a result of the difficult operating conditions, our fixed income businesses were impacted by subdued corporate and institutional risk appetite and continued low client activity levels. However, the equities sales and trading business benefited from higher client activity, favorable market conditions, increased fund flows and investor rotation into equities throughout the year. In addition, financial institutions across the globe continued to face significant pressure to adapt to the changing regulatory requirements. To this end, we have significantly evolved our business model and were one of the first global banks to be Basel III compliant, beginning in January 2013. Additionally, there has been heightened regulatory focus on leverage and the migration of markets towards cleared and electronic trading across rates businesses. As a result, we expect increased capital and liquidity requirements and derivatives regulation to result in reduced risk-taking and enhanced transparency.

### Strategy

We continue to proactively pursue a client-focused, capital-efficient business model. We believe this strategy, coupled with our conservative funding and liquidity position and strong capitalization, has served us well during a period of market volatility and industry change. In November 2011, we announced a refinement to our strategy aimed at adapting our businesses to the new market and regulatory environment. This includes significantly reducing Basel III risk-weighted assets in fixed income, creating greater financial flexibility by reducing our cost base, optimizing our portfolio towards synergies with the Private Banking & Wealth Management division and delivering sustainable, attractive returns in areas where we have competitive advantages.

Over the past two years, we have made considerable progress in improving capital efficiency. We substantially reduced Basel III risk-weighted assets usage for Investment Banking, reducing total risk-weighted assets by USD 66 billion or 27% from 2011 to USD 176 billion in 2013. As of the end of 2013, we reported total assets of USD 565 billion, exceeding our Investment Banking balance sheet target of less than USD 600 billion of assets by year-end 2013. Additionally, we reported Swiss leverage exposure of USD 812 billion, exceeding our target of less than USD 840 billion by year-end 2013.

As part of continuing to advance our business model, we created a non-strategic unit within Investment Banking, with the goal of reducing costs, capital and leverage exposure in the non-strategic portfolio and redeploying resources to growth initiatives in high returning businesses. Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions. In connection with these actions, we are targeting non-strategic Basel III risk-weighted asset reductions of USD 14 billion from year-end 2013 to USD 6 billion by the end of 2015 and non-strategic Swiss leverage exposure reductions of USD 63 billion from year-end 2013 to USD 24 billion by the end of 2015.

In light of recent developments such as heightened regulatory focus on leverage and the migration of markets towards cleared and electronic trading, we have restructured and simplified our rates business model to focus on increasing returns and meeting client liquidity needs. More specifically, as a part of modifying our business model we are focusing on high volume, high liquidity electronic trading in cash products and exchange-cleared products in derivatives and on reducing capital intensive structured rates activity. Additionally, we have combined our rates, foreign exchange and commodities franchises to create the Global Macro Products Group within our fixed income business. This new cross-asset model is designed to offer clients a holistic approach across the macro asset classes and allow us to create scale in our delivery of macro products, resulting in improved capital and cost efficiency.

Another component of our evolved strategy is our focus on cost initiatives, which have been ongoing since the second quarter of 2011. We have significantly improved the operating efficiency of Investment Banking and have delivered most of our targeted CHF 1.9 billion of direct cost savings compared to the annualized six month 2011 run rate, measured at constant foreign exchange rates and adjusted to exclude significant non-operating expenses and variable compensation expenses. Through these initiatives, we are creating significant flexibility in our Investment Banking cost structure, which is permitting us to adapt to the challenging market environment while taking advantage of favorable market opportunities when they arise.

Looking ahead, we believe our client-focused and cost- and capital-efficient strategy will allow us to deliver strong returns. We continue to refocus resources on opportunities in high-returning businesses such as securitized products, global credit products, cash equities, prime services, and emerging markets, and to reduce the drag from the non-strategic unit.

▸ Refer to "Regulation and supervision" for further information on regulatory developments.

### Significant transactions

We executed a number of noteworthy transactions in 2013, reflecting the breadth and diversity of our Investment Banking franchise:

- **Debt capital markets**: We arranged key financings for a diverse set of clients, including Verizon Communications (broadband and wireless communications services), Wells Fargo (financial services), Électricité de France Group (electric utilities), Volkswagen Group (German auto maker), and Group R (offshore construction and engineering services).
- **Equity capital markets**: We executed a rights issue for Barclays Plc (financial services), a follow-on offering for KAR Holdings (vehicle auction services), an initial public offering (IPO) of Cembra Money Bank (a subsidiary of General Electric Capital EMEA), a follow-on offering for Diamondback Energy (independent oil and natural gas), and a follow-on offering of Fibra Uno de Mexico (commercial real estate trust).
- **Mergers and acquisitions:** We advised on a number of key transactions throughout the year, including the Freeport-McMoRan Copper & Gold (international mining) acquisition of Plains Exploration & Production Company and McMoRan Exploration Co (oil & gas exploration, development and production); the sale of Berry Petroleum (crude oil and natural gas exploration and production) to LINN Energy (holding company of oil and natural gas assets) and Linn Co (subsidiary of LINN Energy); the sale of E.I. du Pont Nemours and Company's (diversified products and services) performance coating business to The Carlyle Group (global alternative asset manager); the sale of Lender Processing Services (loan processing services) to Fidelity National Financial (commercial and residential mortgage and diversified services); and the sale of Neiman Marcus (luxury retail chain) to Ares Management (private investment manager).

### Market share momentum

- Remained #1 ranked European prime broker for the fourth consecutive year according to *EuroHedge Magazine*.
- Advanced to become the second-largest prime broker in Asia, according to the 2013 *AsiaHedge* Survey.
- Advanced to Top 3 ranking in Americas prime brokerage, according to *The Absolute Return* 2013 Prime Brokerage Survey in which we were the only prime broker to increase both market share and rank.
- Retained #1 ranking in US Electronic Trading and US Program Trading and maintained a Top 3 ranking in US Equity Trading, according to the 2013 *Greenwich Associates* Survey.
- Advanced to the #1 rank in overall US Fixed Income by market share according to the 2013 Fixed Income Trading Survey for North America by *Greenwich Associates*. We also advanced to the #1 rank in US Securitized Products, reflecting significant market share gains and increased or maintained market share in Secondary Investment Grade Credit and Secondary Leveraged Loans.

### Products and services

Our comprehensive portfolio of products and services is aimed at the needs of the most sophisticated clients, and we increasingly use integrated platforms to ensure efficiency and transparency. Our activities are organized around two broad functional areas: investment banking and global securities. In investment banking, we work in industry, product and country groups. The industry groups include energy, financial institutions, financial sponsors, industrial and services, healthcare, media and telecom, real estate, and technology. The product groups include mergers and acquisitions (M&A) and financing products. The country groups include Europe, Latin America, North America, Japan, Non-Japan Asia, and Emerging Europe. In global securities, we engage in a broad range of activities across fixed income, currencies, commodities, derivatives and cash equities markets, including sales, structuring, trading, financing, prime brokerage, syndication and origination, with a focus on client-based and flow-based businesses, in line with growing client demand for less complex and more liquid products and structures.

#### Investment banking

The investment banking industry, product and country groups provide the following services.

##### Equity and debt underwriting

Equity capital markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues. Debt capital markets originates, syndicates and underwrites corporate and sovereign debt.

##### Advisory services

Advisory services advises clients on all aspects of M&A, corporate sales and restructurings, divestitures and takeover defense strategies. The fund-linked products group is responsible for the structuring, risk management and distribution of structured mutual fund and alternative investment products and develops innovative products to meet the needs of its clients through specially tailored solutions.

### Global securities

Global securities provides access to a wide range of debt and equity securities, derivative products and financing opportunities across the capital spectrum to corporate, sovereign and institutional clients. Global securities is structured into the areas outlined below.

#### Fixed income

- **Credit products** offers a full range of fixed income products and instruments to clients across investment grade and high yield credits, ranging from standard debt issues and credit research to fund-linked products, derivatives instruments and structured solutions that address specific client needs. We are a leading dealer in flow trading of single-name credit default swap (CDS) on individual credits, credit-linked notes and index swaps. Investment grade trades domestic corporate and sovereign debt, non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper. Leveraged finance provides capital raising and advisory services and core leveraged credit products such as bank loans, bridge loans and high yield debt for non-investment grade corporate and financial sponsor-backed companies.
- **Securitized products** trades, securitizes, syndicates, underwrites and provides research for various forms of securities, primarily residential mortgage-backed securities and asset-backed securities. Both the mortgage- and asset-backed securities are based on underlying pools of assets, and include both government- and agency-backed, as well as private label loans.
- **Emerging markets** offers a full range of fixed income products and instruments, including sovereign and corporate securities, local currency derivative instruments and tailored emerging market investment products.
- **Global macro products** is a newly formed group combining our existing rates, foreign exchange and commodities businesses, creating a new cross-asset model that offers a holistic approach across asset classes to our key clients. Our rates business is a global market maker in cash and derivatives markets and a primary dealer in multiple jurisdictions including the US, Europe and Japan. This business covers a spectrum of government bonds, interest rate swaps and options, as well as providing liability and liquidity management solutions. Foreign exchange provides market making in products such as spot and options for currencies in developed markets. The foreign exchange product suite also includes proprietary market leading technology to provide clients with electronic trading solutions. Commodities trades oil, gas and other energy products as well as base, precious and minor metals. The commodities product suite also includes benchmark indices developed by Credit Suisse commodities.

#### Equity

- **Cash equities** provides a comprehensive suite of offerings; such as (i) research, analytics and other content-driven products and services, to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions; (ii) sales trading, responsible for managing the order flow between our clients and the marketplace and providing clients with trading ideas and capital commitments, identifying trends and delivering the most effective execution; (iii) trading, which executes client orders and makes markets in listed and over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management; and (iv) Credit Suisse's advanced execution services (AES®), a sophisticated suite of algorithmic trading strategies, tools and analytics to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® is a recognized leader in its field and provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.
- **Equity derivatives** provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to financial institutions, hedge funds, asset managers and corporations.
- **Convertibles** involves both secondary trading and market making and the trading of credit default and asset swaps and distributing market information and research. The global convertibles business is a leading originator of new issues throughout the world.
- **Prime services** offers hedge funds and institutional clients execution, financing, clearing and reporting capabilities across various asset classes through prime brokerage, synthetic financing, listed and OTC derivatives and hedge fund administration. In addition, prime services is a leading provider of advisory services across capital services and consulting for both start-ups and existing clients.

#### Systematic market-making group

The systematic market-making group operates a range of liquidity-providing and market-making strategies in liquid markets.

#### Other

Other products and activities include lending, certain real estate investments and the distressed asset portfolios. Lending includes senior bank debt in the form of syndicated loans and commitments to extend credit to investment grade and non-investment grade borrowers.

### Research and HOLT

Our equity and fixed income businesses are enhanced by the research and HOLT functions. HOLT offers a framework for objectively assessing the performance of 20,000 companies in over 60 countries, with interactive tools and consulting services that clients use to make informed investment decisions.

Equity and fixed income research uses in-depth analytical frameworks, proprietary methodologies and data sources to analyze approximately 3,000 companies worldwide and provide macroeconomic insights into this constantly changing environment.

# Organizational and regional structure

## ORGANIZATIONAL STRUCTURE

We operate in two global divisions and reporting segments – Private Banking & Wealth Management and Investment Banking. Consistent with our client-focused, capital-efficient business strategy, we coordinate activities in four market regions: Switzerland, EMEA, Americas and Asia Pacific. In addition, Shared Services provides centralized corporate services and business support, as well as effective and independent controls procedures in the following areas:

- The Chief Financial Officer (CFO) area covers many diverse functions, including Corporate Development, Information Technology, Corporate Real Estate & Services, Efficiency Management, Financial Accounting, Group Insurance, Group Finance, Investor Relations, New Business, Global Operations, Product Control, Tax and Treasury.
- The General Counsel area provides legal and compliance support to help protect the reputation of Credit Suisse. It does so by giving legal and regulatory advice and providing employees with the tools and expertise to comply with applicable internal policies and external laws, rules and regulations.
- The Chief Risk Officer (CRO) area comprises strategic risk management, credit risk management, risk analytics and reporting, and operational risk management, which cooperate closely to maintain a strict risk control environment and to help ensure that our risk capital is deployed wisely.
- The Talent, Branding and Centers of Excellence area comprises human resources, corporate branding and advertising and our CoE. Human Resources strives to attract, retain and develop staff, while also creating a stimulating working environment for all employees. Branding works closely with the businesses to manage our brand as a common touchstone, a differentiator in a competitive market and a motivator of behavior and our promise to clients. Our CoE support our global operations in process optimization by providing services and best practices away from the on-shore locations and are an essential component in the implementation of our strategy.

Other functions providing corporate services include Corporate Communications, One Bank Collaboration and Public Policy. Corporate Communications provides support in media relations, crisis management, executive and employee communications. One Bank Collaboration facilitates cross-divisional collaboration initiatives throughout the Group and measures and controls collaboration revenues. Public Policy promotes and protects the interests of Credit Suisse and its reputation.

The Chief Executive Officers (CEOs) of the divisions and regions report directly to the Group CEO, and, together with the CFO, CRO, General Counsel and Chief Marketing and Talent Officer, they formed the Executive Board of Credit Suisse in 2013.

Our Internal Audit function reports directly to the Audit Committee of the Board of Directors.

Our structure is designed to promote cross-divisional collaboration while leveraging resources and synergies within our four regions. The regions perform a number of essential functions to coordinate and support the global operations of the two divisions. On a strategic level, regions are responsible for corporate development and the establishment of regional business plans, projects and initiatives. They also have an oversight role in monitoring financial performance. Each region is responsible for the regulatory relationships within its boundaries, as well as for regulatory risk management and the resolution of significant issues in the region as a whole or its constituent countries. Other responsibilities include client and people leadership and the coordination of the delivery of Shared Services and business support in the region.

## MARKET REGIONS

### Switzerland

Switzerland, our home market, represents a broad business portfolio. We have 17,900 employees in Switzerland. The Private Banking & Wealth Management division comprises our Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients, we offer our clients a distinct value proposition combining a global reach with a structured advisory process and access to a broad range of sophisticated products and services tailored to different client groups, from private clients to UHNWI. We serve clients in 214 branches. Additionally, we are dedicated experts for our external asset manager business. In Corporate & Institutional Clients, we provide premium advice and solutions within a broad range of banking services, including lending, cash and liquidity management, trade finance, corporate finance, foreign exchange, investment solutions, ship and aviation finance, global custody and asset and liability management. Clients taking advantage of these solutions include SME, global corporations and commodity traders, banks and Swiss pension funds. Our Asset Management business has a market-leading position in the Swiss traditional and alternative investments businesses, and also offers a broad range of multi-asset class solutions. The Investment Banking division offers a full range of financial services to its Swiss client base, holding market-leading positions in the Swiss debt and capital markets as well as in mergers and acquisition advisory.

**EMEA**
We are active in 29 countries across the EMEA region with 9,600 employees working in 63 offices. Our regional headquarters is in the UK, but we have an onshore presence in every major EMEA country. The EMEA region encompasses both developed markets, such as France, Germany, Italy, Spain and the UK, and emerging markets, including Russia, Poland, Turkey and the Middle East. We implemented our client-focused integrated strategy at the country level, serving corporate, government, institutional and private clients. Both divisions are strongly represented in the EMEA region, with the Investment Banking division providing a spectrum of financial advisory services with strong market shares across many key products and markets. The Private Banking & Wealth Management division continues to further develop its integrated UHNWI offerings and to focus on the distribution of a variety of investment products, including alternative investments and core investments such as equities, fixed income, real estate, multi-asset class solutions and index solutions.

**Americas**
We have operations in the US, Canada, the Caribbean and Latin America with 11,100 employees working in 43 offices spanning 14 countries. In the US, our emphasis is on our core client-focused and high-returning businesses in Investment Banking, and on building on the market share gains we have achieved in a capital-efficient manner. In Private Banking & Wealth Management, we see considerable potential to leverage our cross-divisional capabilities, as we further develop our onshore wealth management platform in the US, Brazil and Mexico. In Latin America, particularly in our key markets of Brazil and Mexico, we continue to focus on providing clients with a full range of cross-divisional services.

**Asia Pacific**
We are present in 12 Asia Pacific countries with 7,400 employees working in 24 offices, giving us one of the broadest footprints among international banks in the region. Singapore and Hong Kong are key hubs for our Private Banking & Wealth Management business, while Australia and Japan are home to our expanding domestic Private Banking franchises. We serve UHNWI and HNWI, combining global reach with a structured advisory process, offering distinct client segment specific value propositions, as well as access to a broad range of comprehensive and sophisticated products and services. We also deliver innovative and integrated solutions in close collaboration with our Investment Banking division. Our market-leading Investment Banking business operates principally in Hong Kong and Singapore. The strong equity and research platform helps underpin a robust capital markets and Investment Banking franchise. The Investment Banking division is recognized as a leader in the industry, contributing thought leadership through research, conferences and industry commentary.

# Regulation and supervision

## OVERVIEW

Our operations are regulated by authorities in each of the jurisdictions in which we have offices, branches and subsidiaries.

Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. There is coordination among our primary regulators in Switzerland, the US, the EU and the UK.

The supervisory and regulatory regimes of the countries in which we operate determine to some degree our ability to expand into new markets, the services and products that we are able to offer in those markets and how we structure specific operations. We are in compliance with our regulatory requirements in all material respects and in compliance with regulatory capital requirements.

Governments and regulatory authorities around the world have responded to the challenging market conditions beginning in 2007 by proposing and enacting numerous reforms of the regulatory framework for financial services firms such as the Group. In particular, a number of reforms have been proposed and enacted by regulators, including our primary regulators, which could potentially have a material effect on our business. These regulatory developments could result in additional costs or limit or restrict the way we conduct our business. Although we expect regulatory-related costs and capital requirements for all major financial services firms (including the Group) to increase, we cannot predict the likely impact of proposed regulations on our businesses or results. We believe, however, that overall we are well positioned for regulatory reform, as we have reduced risk and maintained strong capital, funding and liquidity.

▸ Refer to “Risk factors” for further information on risks that may arise relating to regulation.

## RECENT REGULATORY DEVELOPMENTS AND PROPOSALS

Some of the most significant regulations proposed or enacted during 2013 and early 2014 are discussed below.

### Basel framework

#### Derivative regulation

In September 2013, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) published a final global framework on margin requirements applicable to non-centrally cleared derivatives. If the framework is enacted into law at national jurisdiction-level as currently contemplated, margin requirements would be significantly higher than current market practice, dealing firms such as Credit Suisse would be required to post initial and variation margins and the re-hypothecation of posted initial margin would be limited. These margin requirements could significantly increase the cost of non-centrally cleared derivatives and reduce demand for such derivatives, which could in turn adversely affect our derivatives sales and trading businesses. The framework contemplates that these margin requirements would be phased in beginning December 1, 2015. It is anticipated that regulators in the US, EU and other key BCBS/IOSCO jurisdictions will adopt rules implementing the framework during 2014.

### Switzerland

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss “Too Big to Fail” legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018.

#### Capital and prudential supervision

On February 13, 2013, the Swiss Federal Council decided to activate the countercyclical capital buffer based on the request of the SNB. This activation of the countercyclical buffer requires banks to hold additional capital in the amount of 1% of their risk-weighted assets pertaining to mortgage loans that finance residential property in Switzerland from September 30, 2013. In January 2014, upon the request of SNB, the Swiss Federal Council further increased the countercyclical buffer from 1% to 2%, effective June 30, 2014.

▸ Refer to “Liquidity and funding management” and “Capital management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

#### Cross-border cooperation

On August 15, 2013, Switzerland and Germany agreed to increase cross-border cooperation to facilitate the ability of financial institutions in both countries to provide banking services and mutual funds to customers in the other country. The agreement is expected to remain effective under the revised EU Markets in Financial Instruments Directive (MiFID II), subject to the assessment of the Swiss and German authorities on the compatibility of the agreement with MiFID II. The agreement has been supplemented by two implementation agreements defining the scope of cooperation. These implementation agreements have been finalized by Germany’s Federal Financial Supervisory Authority and FINMA and entered into effect on January 1, 2014.

### Derivative regulation

On December 13, 2013, the Swiss Federal Council launched a consultation process for a new act to be named Financial Market Infrastructure Act (FMIA). The core purpose of the FMIA is to adjust Swiss regulation of financial market infrastructure and derivatives trading to market developments and international requirements, in particular the EU regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR).

### Executive compensation

On March 3, 2013, Swiss citizens approved the so-called "Minder Initiative" intended to strengthen shareholder rights. The initiative requires legislation to be passed to impose board and executive compensation-related requirements on Swiss public companies, including requiring a binding (rather than advisory) shareholder vote on total board and total executive management compensation and prohibiting severance payments, salary prepayments and payments related to the acquisition or disposal of companies. The initiative also provides that the board members, the board chairperson and the compensation committee members be directly elected by shareholders annually. Further, the initiative calls for criminal sanctions in case of noncompliance. The Swiss Federal Council issued the transitional ordinance on November 20, 2013, which entered into force on January 1, 2014. The Ordinance against Excessive Compensation with respect to Listed Stock Corporations implements the initiative until the final legal implementation is approved by the parliament and entered into force. Specifically, according to the ordinance the board members, board chairperson and the compensation committee members must now be directly elected by shareholders annually, for the first time at the annual general meeting in 2014.

### Reimbursement of commissions

The Swiss Federal Supreme Court issued a decision in the fourth quarter of 2012 in a case brought by a client of another bank seeking reimbursement of commissions paid to the client's bank by providers of investment products. The court ruled that such payments ("retrocessions") received in the context of a discretionary asset management mandate from issuers of investment products are owed to the client (including payments from intra-group companies) unless a client waiver is in place. FINMA subsequently issued a notice requiring all banks to inform potentially affected clients and we have done so by informing all of our discretionary mandate clients in the second quarter of 2013. Based on our current evaluation, we expect no material exposure from this decision. In line with industry trends, we continue to adapt our offering by launching a suite of inducement-free mandates.

### Resolution regime

The consultation process launched by the Swiss Federal Council on December 13, 2013 relating to the FMIA also proposes to amend the Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), seeking to subject parent companies of financial groups or conglomerates and certain unregulated companies of the group domiciled in Switzerland to the Swiss resolution regime that applies to banks. If enacted, Credit Suisse Group would, and certain of its unregulated Swiss-domiciled subsidiaries could, become subject to the Swiss bank resolution regime and the resolution authority of FINMA. The consultation process on FMIA ended on March 31, 2014.

On January 1, 2014, revisions of the Federal Act of 11 April 1889 on Debt Enforcement and Bankruptcy entered into effect. The revisions seek to facilitate the restructuring of companies and to strengthen creditors' rights in provisional or definitive stays. In addition, it introduced certain procedural changes and a special treatment of continuing obligations (i.e., contracts such as leases, rentals or loans that contain a continuing and repeated exchange of money, goods or services), which in case of a provisional or definitive stay, may in the future be terminated at will by the debtor at any time with the permission of the receiver against payment of a compensation if a restructuring would otherwise be defeated.

### Tax

On January 1, 2013, the bilateral tax agreements between Switzerland and each of the UK and Austria entered into force, allowing for the regularization of assets in Switzerland of UK and Austrian residents. Past assets are to be regularized through an anonymous one-off payment deducted by paying agents in Switzerland or by a bank client's voluntary disclosure to Austrian or British authorities, as applicable. Austrian and UK clients have two options to regularize their future investment income and capital gains: they can instruct the Swiss bank to either deduct a withholding tax from relevant income and gains (which will grant client anonymity) or report such income and gains to their home authorities. In December 2012, the bilateral tax agreement between Switzerland and Germany was rejected by the German government.

On February 1, 2013, the Swiss Tax Administrative Assistance Act entered into force. The act governs administrative assistance in double taxation and other international agreements that Switzerland has entered into which provide for the exchange of information relating to tax matters consistent with Article 26 of the OECD Model Tax Convention. Under the act, administrative assistance is no longer prohibited for group requests based on a behavioral pattern, but so-called "fishing expeditions" are expressly prohibited. In August 2013, the Swiss Federal Council announced that it would seek to amend the act to comply with international standards. In March 2014, the Swiss Parliament approved amendments relating to the deferred notification of parties concerned, which will allow in certain cases that the affected taxpayer be informed after the information has been communicated to the authorities of the requesting country, and the establishment of a special procedure for informing parties affected by a group request. It is expected that the revised act will enter into force on January 1, 2015.

The Swiss Federal Supreme Court, in a July 2013 decision concerning a former Credit Suisse client, confirmed that so-called group requests which are not targeting an identified client but instead describe a behavioral pattern are permissible under the existing 1996 Swiss/US double taxation treaty for the avoidance of double taxation.

On August 29, 2013, Switzerland and the US signed a joint statement which provides a framework for Swiss banks' cooperation with the US authorities in their investigations focused on tax evasion. The framework applies to all Swiss banks except those banks, including Credit Suisse, which are the target of criminal investigations by the US Department of Justice (DOJ).

In September 2013, the Swiss Parliament approved an intergovernmental agreement with the US to implement the reporting and withholding tax provisions of the Foreign Account Tax Compliance Act (FATCA). FATCA requirements enter into force on July 1, 2014.

On December 18, 2013, the Swiss Federal Council adopted the mandate for negotiations regarding a revision of the taxation of savings agreement between the EU and Switzerland. The envisaged revision should bring the agreement in line with the planned revision of the EU Savings Directive and close current perceived gaps. Switzerland and the EU have officially started negotiations on January 17, 2014. In March 2014, the EC agreed an extension to the EU Savings Directive to cover the automatic information exchange within the EU on all forms of savings income and products that generate interest or equivalent income. The EU is now trying to reach an agreement with third countries such as Switzerland by the end of 2014 regarding amendments to saving taxation agreements implementing the EU Savings Directive. At the global level, in September 2013 the G20 Summit endorsed global automatic information exchange as a new international standard.

## US

In July 2010, the US enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which provides a broad framework for regulatory changes. Although rulemaking in respect of many of the provisions of the Dodd-Frank Act has already taken place, implementation will require further detailed rulemaking over several years by different regulators, including the US Department of the Treasury (US Treasury), the US Federal Reserve (Fed), the US Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Commodity Futures Trading Commission (CFTC) and the Financial Stability Oversight Council (FSOC).

### Capital and prudential supervision

In July 2013, the Fed, the FDIC and the OCC released final capital rules that overhaul the existing US bank regulatory capital rules and implement the Basel III framework and certain provisions of the Dodd-Frank Act. The final rules are largely consistent with the Basel III framework published by the BCBS, although they diverge in several important respects due to requirements of the Dodd-Frank Act and do not address other, more recent aspects of the Basel III framework. In October 2013, the Fed, the OCC and the FDIC issued a proposed rule to introduce the Basel III liquidity coverage ratio (LCR) in the US, applicable to certain large US banking organizations. The US LCR proposal is generally consistent with the LCR published by the BCBS in January 2013, but it is stricter in certain respects and would be phased in between January 1, 2015 and January 1, 2017. In future separate rulemakings, the Fed may apply the US LCR requirement to the US operations of certain large foreign banking organizations.

The Dodd-Frank Act also provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk. In February 2014, the Fed adopted a rule under the Dodd-Frank Act that creates a new framework for regulation of the US operations of foreign banking organizations. The rule requires Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries; this will not apply to Credit Suisse AG's New York branch (New York Branch). The IHC will be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) will be subjected to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of the IHC and the New York Branch, stress testing, and other prudential standards. The new framework's prudential requirements generally become effective in July 2016. Under proposals that remain under consideration, the IHC and the combined US operations of Credit Suisse would become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse would also become subject to an early remediation regime which could be triggered by capital, leverage, stress tests, liquidity, risk management and market indicators. On April 15, 2013, the Fed and the FDIC released additional guidance requiring certain financial companies, including Credit Suisse, to provide additional analysis and data in future resolution plans, and extended the deadline to submit an updated plan from July 1, 2013 to October 1, 2013. Our initial resolution plan was submitted on July 1, 2012 and our first annual update was submitted by the October 1, 2013 deadline.

▸ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

On December 10, 2013, US regulators released the final version of the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds and to engage in certain types of proprietary trading. The end of the conformance period for the Volcker Rule was extended until July 21, 2015 (with the possibility of extensions under certain circumstances), by which time financial institutions subject to the rule must bring their activities and investments into compliance. We are analyzing the final rule, assessing how it affects our businesses, and re-initiating an implementation program to come into compliance.

### Derivative regulation

On July 1, 2013, Credit Suisse Securities Europe Limited (CSSEL), the entity through which we conduct certain of our equity swap trading business, registered with the CFTC as a swap dealer.

On July 12, 2013, the CFTC adopted final cross-border guidance governing the application of CFTC rules to non-US swap dealers, which include Credit Suisse International (CSI) and CSSEL. The guidance adopted by the CFTC permits non-US swap dealers to comply with comparable home country rules in lieu of complying with certain CFTC rules. In this regard, the European Commission (EC) made an application to the CFTC for substituted compliance on behalf of firms based in the EU, including CSI and CSSEL. The CFTC granted this application in part through comparability determinations it issued on December 20, 2013 for the EU and certain other jurisdictions. As a result of these determinations, CSI and CSSEL may comply with local EU rules in lieu of certain CFTC requirements regarding risk management, internal controls, chief compliance officer duties and reports, recordkeeping, swap confirmations, portfolio reconciliation and compression, and swap valuation. In addition, the CFTC issued two no-action letters deferring certain CFTC requirements, most notably with respect to trade reporting for swaps with non-US persons, thereby allowing the CFTC more time to consider the comparability of similar rules in other jurisdictions. If the CFTC does not ultimately grant substituted compliance for reporting of swaps with non-US persons, CSI and CSSEL could incur significant operational costs.

On November 14, 2013, staff of the CFTC published an advisory stating that CFTC "transaction-level" requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as CSI or CSSEL, and another non-US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer. This advisory is currently scheduled to go into effect on September 15, 2014, and the CFTC has requested public comments on it. If this advisory is not rescinded or modified, it could result in some market disruption and impose significant compliance costs on CSI and CSSEL. In light of this advisory, on December 4, 2013, several US financial trade associations filed a lawsuit in the US District Court for the District of Columbia challenging the advisory and the CFTC's July 2013 guidance regarding the cross-border application of its swaps rules. The lawsuit asks the court to vacate the July 2013 guidance and enjoin the CFTC from enforcing its rules outside the US. Depending on the outcome of this lawsuit, the extent to which CSI and CSSEL are subject to CFTC rules may differ significantly from the framework currently applicable under the CFTC's guidance. We are monitoring the progress of the lawsuit and assessing our contingency plans for the different scenarios that could result from it.

On January 16, 22 and 27, 2014, specified types of interest rate swaps and index credit default swaps were deemed "made available to trade" by CFTC-registered swap execution facilities (SEFs). As a result, since February 15, 21 and 26, 2014, those types of swaps have been required to be executed on a SEF or designated contract market, unless an exception or exemption applies. It is possible that certain market participants, including some of our clients or counterparties, will change their trading behavior as a result of these SEF requirements which could negatively affect swap trading revenue.

### Tax

On July 12, 2013, the US Treasury published a notice postponing the entry into force of FATCA by six months to July 1, 2014.

On August 29, 2013, Switzerland and the US signed a joint statement which provides a framework for Swiss banks' cooperation with the US authorities in their investigations focused on tax evasion. The framework applies to all Swiss banks except those banks, including Credit Suisse, which are the target of criminal investigations by the DOJ.

## EU

The EU, the UK and other national European jurisdictions have also proposed and enacted a wide range of prudential, securities and governance regulations to address systemic risk and to further regulate financial institutions, products and markets. These proposals are at various stages of the EU pre-legislative, legislative and rule making processes, and their final form and cumulative impact remain uncertain.

### Capital and prudential supervision

On June 27, 2013, the final text of the Capital Requirement Directive IV and Capital Requirements Regulation (CRD IV) was published in the Official Journal of the EU. With effect from January 1, 2014, CRD IV has replaced the current CRD with new measures implementing Basel III and other requirements. Compliance with these requirements will include receiving approval by the UK's Prudential Regulation Authority (PRA) of certain models with respect to regulatory capital requirements of our UK subsidiaries.

On July 22, 2013, the Alternative Investment Fund Managers Directive (AIFMD) entered into effect. The AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers (AIFMs) managing and/or marketing alternative investment funds (AIFs) in the EU. The AIFMD imposes various substantive requirements to authorized AIFMs, including increased transparency towards investors and regulators, and allows authorized AIFMs to market AIFs to professional investors throughout the EU under an "EU passport". The EU passport has been made available to authorized EU AIFMs since July 2013 and, subject to European Securities and Markets Authority (ESMA) and European Commission's positive opinion, is expected to be made available to authorized non-EU AIFMs from late 2015. In the meantime (and until at least 2018), non-EU AIFMs may continue to market within the EU under the private placement regimes of the individual member states subject to complying with certain minimum requirements imposed by the AIFMD and any additional requirements that individual member states may impose. The AIFMD also imposes a new, strict depositary regime affecting the manner in which prime brokers may provide custody services to fund managers. Although many member states have now implemented the AIFMD, a number of member states did not meet the transposition deadline of July 22, 2013. As clarified by ESMA, for EU AIFMs authorized under the AIFMD in a member state that has transposed the AIFMD, the passport system should be available even in a member state that has not transposed the AIFMD into national law. EU AIFMs established in EU member states that have not yet transposed the AIFMD cannot rely on the marketing and management passport in other member states.

On December 18, 2013, the UK Financial Services Act 2013 (Banking Reform Act) was enacted. Secondary legislation to fully implement the Banking Reform Act is expected to be completed by May 2015. The Banking Reform Act provides for the creation of a "retail ring-fence" that will prohibit large retail deposit banks from carrying out a broad range of investment and other banking activities in the same entity. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our Private Banking & Wealth Management business in the UK may benefit from the de minimis exemption from the retail ring-fence requirements which is anticipated to exclude certain banks that hold core deposits of below GBP 25 billion. The Banking Reform Act also introduces certain other reforms, including requirements for primary loss absorbing capacity in order to facilitate the use of the new bail-in tool, which is itself introduced by the Banking Reform Act. The Banking Reform Act will also establish a more stringent regulatory regime for certain senior personnel of the bank, as well as create a new criminal offense for reckless mismanagement in the banking industry. The governance rules and the bail-in tool will impact our UK entities, such as CSI and CSSEL.

On January 29, 2014, the EC published a draft Regulation on Structural Measures Improving the Resilience of EU Banks and Transparency of the Financial Sector which, if enacted, would introduce certain structural measures designed to reduce the risk and complexity of large banks in the EU. It is proposed that the measures would apply to EU banks which qualify as global systemically important institutions, or which have for a period of three consecutive years (i) total assets of at least EUR 30 billion, and (ii) trading activities amounting to at least EUR 70 billion or 10% of their total assets. These banks would be prohibited from engaging in proprietary trading in financial instruments and commodities and would become subject to anti-avoidance rules prohibiting certain transactions with the shadow banking sector. In addition, they may be required by their regulator to separate certain trading activities involving increased risks from their deposit-taking, lending and other business activities.

On January 14, 2014, the EC, European Parliament and European Council reached a political agreement on the MiFID II primary legislation and related regulation (MiFIR), which are scheduled to be enacted in the second quarter of 2014. It is expected that the provisions thereof will have to be implemented in the member states and expected to come into effect towards the end of 2016. Although the final text has not yet been published in the Official Journal of the European Union, the EC formally announced that an agreement has been reached to introduce an EU harmonized regime for the cross-border provision of investment services to professional and eligible counterparties in the EU. This new regime for granting access to EU markets for financial services providers based in third countries, including Switzerland, would be based on the positive equivalence determination of the prudential and business conduct requirements in place in the relevant third country jurisdiction by the EC and, subject to equivalence being found, allow for an EU wide passport when providing services to EU professional clients and eligible counterparties. Third country financial services providers would be able to continue to provide services and activities to such clients in member states in accordance with national regimes until three years after the adoption by the EC's of a positive equivalence decision.

### Derivative regulation

In March 2013, certain of the requirements of EMIR came into effect while others will be phased in. EMIR requires that certain standardized OTC derivatives contracts be centrally cleared and, where OTC transactions are not subject to central clearing, specified techniques are employed to monitor, measure and mitigate the operational and counterparty risks presented by those transactions. These risk mitigation techniques include trade confirmation, robust portfolio reconciliation and portfolio compression processes, exchange of margin, and the daily mark-to-market valuation of trades. Certain of these risk mitigation obligations came into effect on September 15, 2013. From February 12, 2014, EU counterparties subject to EMIR are required to report any derivative contract to a trade repository that is authorized or recognized under EMIR.

On September 3, 2013, the ESMA published its technical advice to the EC on the equivalence of a number of third-country derivative regimes with EMIR, recommending "conditional equivalence" for all third country regulatory regimes assessed, except for Switzerland and Australia's rules for central counterparties. The EC is expected to use ESMA advice to make its own assessment and decide whether to adopt an implementing act declaring a third country equivalent with EMIR. EC positive equivalence determination of a third country regime would allow EU counterparties trading with entities established in such third country to meet their EMIR obligations through compliance with the equivalent third country rules. "Conditional" equivalence was proposed by ESMA in relation to certain parts of the CFTC and SEC regimes whereby, subject to the implementation of a number of additional stipulations, adherence to the relevant US regimes would be deemed equivalent to EMIR.

### Resolution regime

On December 11, 2013, the European Parliament reached a political agreement with the European Council on a legislative proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms, known as the Bank Recovery and Resolution Directive. The framework will give national regulators wide-ranging powers (notably new bail-in powers) to intervene where an entity is likely to fail in order to avoid adverse effects on wider financial stability. It is anticipated that the Bank Recovery and Resolution Directive will enter into force on January 1, 2015 and the bail-in powers will become effective on January 1, 2016 at the latest. Our EU subsidiaries will be affected to varying degrees. The Single Resolution Mechanism regulation, agreed by the European Parliament and the European Council in March 2014, will apply substantially identical recovery and resolution powers as those contained within the Bank Recovery and Resolution Directive to institutions located in the eurozone.

On December 19, 2013, the PRA in the UK published updated rules on recovery and resolution plans under the Financial Services Act 2010. Covered entities are required to have recovery plans similar to those proposed by the EC. In addition, they are required to submit certain organizational data in order to allow the PRA and the Bank of England to draw up resolution plans. Credit Suisse provided relevant information to UK regulatory authorities based on existing guidance in 2012.

#### Tax

In January 2013, a group of eleven EU member states (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) proposed to adopt a financial transaction tax (FTT) applicable only for those countries, as a proposed EU-wide FTT was unsuccessful. If approved in the proposed form, the tax would apply to a wide range of financial transactions, including minimum rates of 0.01% for derivative products and 0.1% for other financial instruments. The tax would apply to certain financial transactions where at least one party is a financial institution, and at least one party is established in a participating member state. A financial institution may be, or be deemed to be, "established" in a participating member state in a broad range of circumstances, including (a) by transacting with a person established in a participating member state or (b) where the relevant financial instrument is issued in a participating member state. To become effective, the proposed FTT directive will require unanimous agreement of at least nine participating member states. The FTT proposal remains subject to negotiation among the participating member states and is the subject of legal challenge. It may therefore be altered significantly prior to any implementation, the timing of which remains unclear. Where a participating member state already has a financial transaction tax in place, such as France and Italy, the FTT would be expected to replace those existing national FTT regimes.

## REGULATORY FRAMEWORK

The principal regulatory structures that apply to our operations are discussed below.

### Switzerland

#### Banking regulation and supervision

Although Credit Suisse Group is not a bank according to the Bank Law, and its Implementing Ordinance of May 17, 1972, as amended (Implementing Ordinance), the Group is required, pursuant to the provisions on consolidated supervision of financial groups and conglomerates of the Bank Law, to comply with certain requirements for banks. Such requirements include capital adequacy, solvency and risk concentration on a consolidated basis, and certain reporting obligations. Our banks in Switzerland are regulated by FINMA on a legal entity basis and, if applicable, on a consolidated basis.

Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Implementing Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA).

FINMA is the sole bank supervisory authority in Switzerland and is independent from the SNB. Under the Bank Law, FINMA is responsible for the supervision of the Swiss banking system. The SNB is responsible for implementing the government's monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. Under the "Too Big to Fail" legislation, the SNB is also responsible for determining which banks in Switzerland are systemically relevant banks and which functions are systemically relevant in Switzerland. The SNB has identified the Group as a systemically relevant bank.

Our banks in Switzerland are subject to close and continuous prudential supervision and direct audits by FINMA. Under the Bank Law, our banks are subject to inspection and supervision by an independent auditing firm recognized by FINMA, which is appointed by the bank's shareholder meeting and required to perform annual audits of the bank's financial statements and to assess whether the bank is in compliance with laws and regulations, including the Bank Law, the Implementing Ordinance and FINMA regulations.

Swiss banks are subject to the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder, which include capital, liquidity, leverage and large exposure requirements, and rule for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.

Swiss banks are also required to maintain a specified liquidity standard pursuant to the Liquidity Ordinance (Liquidity Ordinance), which was adopted by the Swiss Federal Council in November 2012 and implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making. The Liquidity Ordinance entered into force on January 1, 2013. It requires appropriate management and monitoring of liquidity risks, and applies to all banks, but is tiered according to the type, complexity and degree of risk of a bank's activities. It also contains supplementary quantitative and qualitative requirements for systemically relevant banks, including us, which are generally consistent with existing FINMA liquidity requirements. In January 2014, the Swiss Federal Council and FINMA proposed revisions to the Liquidity Ordinance to reflect the final Basel III LCR rules. Under the proposal, systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning in 2015.

Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US, with certain adjustments required by, or agreed with, FINMA.

▸ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's core tier 1 capital, taking into account counterparty risks and risk mitigation instruments.

Under the Bank Law and SESTA, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities, tax fraud or evasion or prevent the disclosure of information to courts and administrative authorities.

Swiss rules and regulations to combat money laundering and terrorist financing are comprehensive and require banks and other financial intermediaries to thoroughly verify and document customer identity before commencing business. In addition, these rules and regulations include obligations to maintain appropriate policies for dealings with politically exposed persons and procedures and controls to detect and prevent money laundering and terrorist financing activities, including reporting suspicious activities to authorities.

Since January 1, 2010, compensation design and its implementation and disclosure must comply with standards promulgated by FINMA under its Circular on Remuneration Schemes.

### Securities dealer and asset management regulation and supervision

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA.

Our asset management activities in Switzerland, which include the establishment and administration of mutual funds registered for public distribution, are conducted under the supervision of FINMA.

### Resolution regime

The Banking Insolvency Ordinance-FINMA (the Banking Insolvency Ordinance) governs resolution (i.e., restructuring or liquidation) procedures of Swiss banks and securities dealers, such as Credit Suisse AG. Instead of prescribing a particular resolution concept, the Banking Insolvency Ordinance provides FINMA with a significant amount of authority and discretion in the case of resolution, as well as various restructuring tools from which FINMA may choose.

FINMA may open resolution proceedings if there is justified concern that the relevant Swiss bank is over-indebted, has serious liquidity problems or no longer fulfills capital adequacy requirements. However, the proceedings may only take the form of restructuring (rather than liquidation) proceedings if (i) the recovery of, or the continued provision of individual banking services by, the relevant bank appears likely and (ii) the creditors of the relevant bank are likely better off in restructuring proceedings than in liquidation proceedings. All realizable assets in the relevant bank's possession will be subject to such proceedings, regardless of where they are located.

If FINMA were to open restructuring proceedings with respect to Credit Suisse AG, it would have discretion to take decisive actions, including (i) transferring the bank's assets or a portion thereof, together with its debt and other liabilities and contracts, to another entity, (ii) staying (for a maximum of 48 hours) the termination of, and the exercise of rights to terminate relating to, financial contracts to which the bank is a party, (iii) converting the bank's debt into equity (a "debt-to-equity swap"), and/or (iv) partially or fully writing off the bank's obligations (a "haircut").

Prior to any debt-to equity swap or haircut, outstanding equity capital and debt instruments issued by Credit Suisse AG that are part of its regulatory capital (including the bank's outstanding high trigger capital instruments and low trigger capital instruments) must be converted or written-off (as applicable) and cancelled. Any debt-to-equity swap, (but not any haircut) would have to follow the hierarchy of claims to the extent such debt is not excluded from such conversion by the Banking Insolvency Ordinance. Contingent liabilities of Credit Suisse AG such as guarantees could also be subjected to a debt-to-equity swap or a haircut to the extent amounts are due and payable thereunder at any time during restructuring proceedings. For systemically relevant banks such as Credit Suisse AG, creditors have no right to reject the restructuring plan approved by FINMA.

## US

### Banking regulation and supervision

Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

Our New York Branch is licensed by the New York Superintendent of Financial Services (Superintendent), examined by the New York State Department of Financial Services, and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law, our New York Branch must maintain eligible assets with banks in the state of New York. The amount of eligible assets required, which is expressed as a percentage of third-party liabilities, would increase if our New York Branch is no longer designated well rated by the Superintendent.

The New York Banking Law authorizes the Superintendent to seize our New York Branch and all of our business and property in New York State (which includes property of our New York Branch, wherever it may be located, and all of our property situated in New York State) under circumstances generally including violations of law, unsafe or unsound practices or insolvency. In liquidating or dealing with our New York Branch's business after taking possession, the Superintendent would only accept for payment the claims of depositors and other creditors (unaffiliated with us) that arose out of transactions with our New York Branch. After the claims of those creditors were paid out of the business and property of the Bank in New York, the Superintendent would turn over the remaining assets, if any, to us or our liquidator or receiver.

Under New York Banking Law and US federal banking laws, our New York Branch is generally subject to single borrower lending limits expressed as a percentage of the worldwide capital of the Bank. Under the Dodd-Frank Act, lending limits take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties.

Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to Fed requirements and limitations on the acceptance and maintenance of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.

US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

A major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, verify the identity of customers and comply with economic sanctions. Any failure to maintain and implement adequate programs to combat money laundering and terrorist financing, and violations of such economic sanctions, laws and regulations, could have serious legal and reputational consequences. We take our obligations to prevent money laundering and terrorist financing in the US and globally very seriously, while appropriately respecting and protecting the confidentiality of clients. We have policies, procedures and training intended to ensure that our employees comply with "know your customer" regulations and understand when a client relationship or business should be evaluated as higher risk for us.

Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any US bank, bank holding company or many other US depositary institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.

The Dodd-Frank Act requires issuers with listed securities to establish a claw-back policy to recoup erroneously awarded compensation in the event of an accounting restatement, although it is currently unclear if this requirement will apply to foreign private issuers, like the Group.

### Broker-dealer and asset management regulation and supervision

Our US broker-dealers are subject to extensive regulation by US regulatory authorities. The SEC is the federal agency primarily responsible for the regulation of broker-dealers, investment advisers and investment companies. In addition, the US Treasury has the authority to promulgate rules relating to US Treasury and government agency securities, the Municipal Securities Rulemaking Board (MSRB) has the authority to promulgate rules relating to municipal securities, and the MSRB also promulgates regulations applicable to certain securities credit transactions. In addition, broker-dealers are subject to regulation by securities industry self-regulatory organizations, including the Financial Industry Regulation Authority (FINRA), and by state securities authorities.

Our US broker-dealers are registered with the SEC and our primary US broker-dealer is registered in all 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands. Our US registered entities are subject to extensive regulatory requirements that apply to all aspects of their securities, including where applicable: capital requirements; the use and safekeeping of customer funds and securities; the suitability of customer investments; record-keeping and reporting requirements; employee-related matters; limitations on extensions of credit in securities transactions; prevention and detection of money laundering and terrorist financing; procedures relating to research analyst independence; procedures for the clearance and settlement of trades; and communications with the public.

Our US broker-dealers are also subject to the SEC's net capital rule, which requires broker-dealers to maintain a specified level of minimum net capital in relatively liquid form. Compliance with the net capital rule could limit operations that require intensive use of capital, such as underwriting and trading activities and the financing of customer account balances and also could restrict our ability to withdraw capital from our broker-dealers. Our US broker-dealers are also subject to the net capital requirements of FINRA and, in some cases, other self-regulatory organizations.

Our securities and asset management businesses include legal entities registered and regulated as a broker-dealer and investment adviser by the SEC. The SEC-registered mutual funds that we advise are subject to the Investment Company Act of 1940. For pension fund customers, we are subject to the Employee Retirement Income Security Act of 1974 and similar state statutes.

The Dodd-Frank Act grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the antifraud provisions in the Securities Act of 1933, Securities Exchange Act of 1934 and Investment Advisers Act of 1940. It also requires broader regulation of hedge funds and private equity funds, as well as credit rating agencies.

### Derivative regulation and supervision

The CFTC is the federal agency primarily responsible for the regulation of futures commission merchants, commodity pool operators and commodity trading advisors. With the effectiveness of the Dodd-Frank Act, these CFTC registration categories have been expanded to include persons engaging in a relevant activity with respect to swaps, and new registration categories have been added for swap dealers and major swap participants. For futures and swap activities, these CFTC registrants are subject to futures industry self-regulatory organizations such as the National Futures Association (NFA).

Each of CSI and CSSEL is registered with the CFTC as a swap dealer as a result of its swap activities with US persons and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory exchange-trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports and internal controls. It is anticipated that the CFTC will in 2014 finalize rules related to capital and margin requirements and position limits, as well as potentially expand the scope of its mandatory clearing and exchange-trading requirements to cover certain types of foreign exchange transactions.

One of our US broker-dealers, Credit Suisse Securities USA LLC, is also registered as a futures commission merchant and subject to the capital, segregation and other requirements of the CFTC and the NFA.

Our asset management businesses include legal entities registered and regulated as commodity pool operators and commodity trading advisors by the CFTC and the NFA.

In addition, we expect the SEC to finalize its rules implementing the derivatives provisions of the Dodd-Frank Act during 2014. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. In particular, significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC rules, as well as the cross-border application of SEC and CFTC rules, could have such effects.

### Resolution regime

The Dodd-Frank Act also establishes an "Orderly Liquidation Authority", a new regime for the orderly liquidation of systemically significant non-bank financial companies, which could potentially apply to certain of our US entities. To finance a resolution under this new regime, the FDIC may borrow funds from the US Treasury, which must be repaid from the proceeds of the resolution. If such proceeds are insufficient to repay the US Treasury in full, the FDIC is required to assess other large financial institutions, including those that have USD 50 billion or more in total consolidated assets, such as us, in an amount sufficient to repay all of the funds borrowed from the US Treasury in connection with the liquidation under the Orderly Liquidation Authority. In addition, in 2011 the Fed and the FDIC approved final rules to implement the resolution plan requirement in the Dodd-Frank Act, which require bank holding companies with total consolidated assets of USD 50 billion or more, such as us, and certain designated non-bank financial firms to submit annually to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority.

### FATCA

FATCA became law in the US on March 18, 2010. The legislation requires Foreign Financial Institutions (FFIs) (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. Switzerland and the US entered into an intergovernmental agreement to implement the reporting and withholding tax provisions of FATCA in February 2013 and the Swiss Parliament ratified it in September 2013. FATCA requirements enter into force on July 1, 2014. The intergovernmental agreement will enable FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to the FFI. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

## EU

### Financial services regulation and supervision

Since it was announced in 1999, the EU's Financial Services Action Plan has given rise to numerous measures (both directives and regulations) aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: the European Banking Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority.

The CRD IV came into force on January 1, 2014. The CRD IV implemented in various EU countries, including the UK, the Basel III capital framework for banking groups operating in the EU. The CRD IV wholly replaced the current Capital Requirements Directive, which implemented the Basel II capital framework. The CRD IV creates a single harmonized prudential rule book for banks, introduces new corporate governance and certain new remuneration requirements, including a cap on variable remuneration, and enhances the powers of regulators.

The existing Markets in Financial Instruments Directive (MiFID I) establishes high-level organizational and business conduct standards that apply to all investment firms. These include standards for managing conflicts of interest, best execution, enhanced investor protection, including client classification, and the requirement to assess suitability and appropriateness in providing investment services to clients. MiFID I sets standards for regulated markets (i.e., exchanges) and multilateral trading facilities, and sets out pre-trade and post-trade price transparency requirements for equity trading. MiFID I also sets standards for the disclosure of fees and other payments received from or paid to third parties in relation to investment advice and services and regulates investment services relating to commodity derivatives. In relation to these and other EU-based investment services and activities, MiFID I introduced a "passport" for investment firms, enabling them to conduct cross-border activities and establish branches throughout the EU on the basis of authorization from their home state regulator. It is anticipated that MiFID I will be significantly reformed by MiFID II, which is expected to be implemented in the member states and come into force during the second half of 2016.

The Single Supervisory Mechanism has entered into force and it empowers the European Central Bank (ECB) as a single supervisor for banks in the 17 eurozone countries and for certain non-eurozone countries which may choose to participate in the Single Supervisory Mechanism. The ECB is expected to assume its prudential supervisory duties on November 4, 2014.

## UK

### Banking regulation and supervision

The Financial Services Authority (FSA) was the principal statutory regulator of financial services activity in the UK, deriving its powers from the Financial Services and Markets Act 2000 (FSMA). In April 2013, the FSA was replaced by: the PRA, a subsidiary of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms; and the Financial Conduct Authority (FCA), which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England was established as responsible for macro-prudential regulation.

As a member state of the EU, the UK is required to implement EU directives into national law. The regulatory regime for banks operating in the UK conforms to required EU standards including compliance with capital adequacy standards, customer protection requirements, conduct of business rules and anti-money laundering rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the other member states of the EU in which we operate.

CSI, Credit Suisse (UK) Limited and Credit Suisse AG, London Branch are authorized to take deposits. We also have a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the PRA must first determine whether a firm satisfies the threshold conditions for authorization, which includes suitability and the requirement for the firm to be fit and proper. In addition to regulation by the PRA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which PRA-regulated firms are expected to follow when conducting wholesale money market business.

Our London Branch will be required to continue to comply principally with Swiss home country regulation. However, as a response to the global financial crisis, the PRA made changes to its prudential supervision rules in its Handbook of Rules and Guidance, applying a principle of "self-sufficiency", such that CSI, CSSEL and Credit Suisse (UK) Limited are required to maintain adequate liquidity resources, under the day-to-day supervision of the entity's senior management, held in a custodian account in the name of the entity, unencumbered and attributed to the entity balance sheet. In addition, the PRA requires CSI, CSSEL and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing the CRD.

The PRA has implemented the requirements of CRD IV, which replaced the current CRD as a whole, and imposed a 1:1 cap on variable remuneration which can rise to 1:2 with explicit shareholder approval.

### Broker-dealer and asset management regulation and supervision

Our London bank and broker-dealer subsidiaries are authorized under the FSMA and are subject to regulation by the PRA and FCA. In addition, our asset management companies are authorized under the FSMA and are subject to regulation by the FCA. In deciding whether to authorize an investment firm in the UK, the PRA and FCA will consider the threshold conditions, which includes suitability and the general requirement for a firm to be fit and proper. The PRA and FCA are responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.

### Tax

Since January 1, 2011, there has been a levy attributable to the UK operations of large banks on certain funding came into effect. During 2013, the levy was 13 basis points for short-term liabilities and 6.5 basis points for long-term equity and liabilities. The levy increased with effect from January 1, 2014 to 15.6 basis points and 7.8 basis points, respectively. The UK government has announced that it will introduce changes to the scope of the levy during 2014 which may have the effect of broadening the base upon which the levy is imposed.

# Risk factors

Our businesses are exposed to a variety of risks that could adversely affect our results of operations and financial condition, including, among others, those described below.

## LIQUIDITY RISK

Liquidity, or ready access to funds, is essential to our businesses, particularly our Investment Banking business. We maintain available liquidity to meet our obligations in a stressed liquidity environment.

▸ Refer to “Liquidity and funding management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our liquidity management.

### Our liquidity could be impaired if we were unable to access the capital markets or sell our assets, and we expect our liquidity costs to increase

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us or the banking sector, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets, our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have been significant and we expect to incur additional costs as a result of regulatory requirements for increased liquidity and the challenging economic environment in Europe, the US and elsewhere.

If we are unable to raise needed funds in the capital markets, we may need to liquidate unencumbered assets to meet our liabilities. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may need to sell assets at depressed prices, which in either case could adversely affect our results of operations and financial condition.

### Our businesses rely significantly on our deposit base for funding

Our businesses benefit from short-term funding sources, including primarily demand deposits, inter-bank loans, time deposits and cash bonds. Although deposits have been, over time, a stable source of funding, this may not continue. In that case, our liquidity position could be adversely affected and we might be unable to meet deposit withdrawals on demand or at their contractual maturity, to repay borrowings as they mature or to fund new loans, investments and businesses.

### Changes in our ratings may adversely affect our business

Ratings are assigned by rating agencies. They may lower, indicate their intention to lower or withdraw their ratings at any time. The major rating agencies remain focused on the financial services industry, particularly on uncertainties as to whether firms that pose systemic risk would receive government or central bank support in a financial or credit crisis, and on such firms' potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. For example, in July 2013, Standard & Poor's lowered its long-term counterparty credit ratings of several European banks, including us, by one notch. Further downgrades in our assigned ratings, including in particular our credit ratings, could increase our borrowing costs, limit our access to capital markets, increase our cost of capital and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly longer-term and derivatives transactions – and retain our clients.

## MARKET RISK

### We may incur significant losses on our trading and investment activities due to market fluctuations and volatility

Although we continued to reduce our balance sheet and accelerated the implementation of our client-focused, capital-efficient strategy in 2013, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own or have net short positions in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

### Our businesses are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal and other developments in the countries we operate in around the world

As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally in Europe, the US and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009 continues to be sluggish in several key developed markets. Additionally, the European sovereign debt crisis, as well as concerns over US debt levels and the federal budget process that led to the downgrade of US sovereign debt in 2011 and the temporary shutdown of many federal governmental operations in October 2013, have not been permanently resolved. Our financial condition and results of operations could be materially adversely affected if these conditions do not improve, or if they stagnate or worsen. Further, various countries in which we operate or invest have experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. In 2013, concerns about weaknesses in the economic and fiscal condition of certain European countries, including Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain, continued, especially with regard to how such weaknesses might affect other economies as well as financial institutions (including us) which lent funds to or did business with or in those countries. Continued concern about the European sovereign debt crisis could cause disruptions in market conditions in Europe and around the world. Economic disruption in other countries, even in countries in which we do not currently conduct business or have operations, could adversely affect our businesses and results.

Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices, the European sovereign debt crisis and the US federal debt crisis have affected financial markets and the economy. In recent years, the low interest rate environment has adversely affected our net interest income and the value of our trading and non-trading fixed income portfolios. In addition, movements in equity markets have affected the value of our trading and non-trading equity portfolios, while the strength of the Swiss franc has adversely affected our revenues and net income.

Such adverse market or economic conditions may reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, may adversely affect our financial advisory and underwriting fees. Such conditions may adversely affect the types and volumes of securities trades that we execute for customers and may adversely affect the net revenues we receive from commissions and spreads. In addition, several of our businesses engage in transactions with, or trade in obligations of, governmental entities, including super-national, national, state, provincial, municipal and local authorities. These activities can expose us to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect our financial condition and results of operations.

Unfavorable market or economic conditions have affected our businesses over the last few years, including the low interest rate environment, continued cautious investor behavior and subdued mergers and acquisitions activity. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. There has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our Private Banking & Wealth Management division's results of operations have been and could continue to be adversely affected as long as this continues.

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit.

In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.

**We may incur significant losses in the real estate sector**

We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2013, our real estate loans (as reported to the SNB) totaled approximately CHF 137 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including commercial and residential mortgage-backed securities. Our real estate-related businesses and risk exposures could continue to be adversely affected by any downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.

**Holding large and concentrated positions may expose us to large losses**

Concentrations of risk could increase losses, given that we have sizeable loans to, and securities holdings in, certain customers, industries or countries. Decreasing economic growth in any sector in which we make significant commitments, for example, through underwriting, lending or advisory services, could also negatively affect our net revenues.

We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.

▸ Refer to “Regulation and supervision” for further information.

Risk concentration may cause us to suffer losses even when economic and market conditions are generally favorable for others in our industry.

**Our hedging strategies may not prevent losses**

If any of the variety of instruments and strategies we use to hedge our exposure to various types of risk in our businesses is not effective, we may incur losses. We may be unable to purchase hedges or be only partially hedged, or our hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

**Market risk may increase the other risks that we face**

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate the other risks that we face. For example, if we were to incur substantial trading losses, our need for liquidity could rise sharply while our access to liquidity could be impaired. In conjunction with another market downturn, our customers and counterparties could also incur substantial losses of their own, thereby weakening their financial condition and increasing our credit and counterparty risk exposure to them.

## CREDIT RISK

**We may suffer significant losses from our credit exposures**

Our businesses are subject to the fundamental risk that borrowers and other counterparties will be unable to perform their obligations. Our credit exposures exist across a wide range of transactions that we engage in with a large number of clients and counterparties, including lending relationships, commitments and letters of credit, as well as derivative, currency exchange and other transactions. Our exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. Any inability to reduce these positions may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements, all of which could adversely affect our businesses.

▸ Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management for information on management of credit risk.

Our regular review of the creditworthiness of clients and counterparties for credit losses does not depend on the accounting treatment of the asset or commitment. Changes in creditworthiness of loans and loan commitments that are fair valued are reflected in trading revenues.

Management’s determination of the provision for loan losses is subject to significant judgment. Our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original estimates of loss prove inadequate, which could have a material adverse effect on our results of operations.

▸ Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management and “Note 1 – Summary of significant accounting policies”, “Note 10 – Provision for credit losses” and “Note 18 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.

We have experienced in the past, and may in the future experience, competitive pressure to assume longer-term credit risk, extend credit against less liquid collateral and price derivative instruments more aggressively based on the credit risks that we take. We expect our capital and liquidity requirements, and those of the financial services industry, to increase as a result of these risks.

**Defaults by a large financial institution could adversely affect financial markets generally and us specifically**

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those with significant exposure to the eurozone, continued in 2013 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized upon or can only be liquidated at prices insufficient to cover the full amount of exposure.

**The information that we use to manage our credit risk may be inaccurate or incomplete**

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also fail to receive full information with respect to the credit or trading risks of a counterparty.

## RISKS FROM ESTIMATES AND VALUATIONS

We make estimates and valuations that affect our reported results, including measuring the fair value of certain assets and liabilities, establishing provisions for contingencies and losses for loans, litigation and regulatory proceedings, accounting for goodwill and intangible asset impairments, evaluating our ability to realize deferred tax assets, valuing equity-based compensation awards, modeling our risk exposure and calculating expenses and liabilities associated with our pension plans. These estimates are based upon judgment and available information, and our actual results may differ materially from these estimates.

▸ Refer to “Critical accounting estimates” in II – Operating and financial review and “Note 1 – Summary of significant accounting policies” in V – Consolidated financial statements – Credit Suisse Group for information on these estimates and valuations.

Our estimates and valuations rely on models and processes to predict economic conditions and market or other events that might affect the ability of counterparties to perform their obligations to us or impact the value of assets. To the extent our models and processes become less predictive due to unforeseen market conditions, illiquidity or volatility, our ability to make accurate estimates and valuations could be adversely affected.

## RISKS RELATING TO OFF-BALANCE SHEET ENTITIES

We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. We may have to exercise significant management judgment in applying relevant accounting consolidation standards, either initially or after the occurrence of certain events that may require us to reassess whether consolidation is required. Accounting standards relating to consolidation, and their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.

▸ Refer to “Off-balance sheet” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and contractual obligations for information on our transactions with and commitments to SPEs.

## CROSS-BORDER AND CURRENCY EXCHANGE RISK

**Cross-border risks may increase market and credit risks we face**

Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may in the future be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary controls or other factors, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

**We may face significant losses in emerging markets**

As a global financial services company doing business in emerging markets, we are exposed to economic instability in emerging market countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed.

**Currency fluctuations may adversely affect our results of operations**

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs and we do not fully hedge our capital position against changes in currency exchange rates. The Swiss franc remained strong against the US dollar and euro in 2013. The appreciation of the Swiss franc in particular and exchange rate volatility in general have had an adverse impact on our results of operations and capital position in recent years and may have such an effect in the future.

## OPERATIONAL RISK

**We are exposed to a wide variety of operational risks, including information technology risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In general, although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. Our business depends on our ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. We are exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or in transactions not being properly recorded or accounted for. Regulatory requirements in this area have increased and are expected to increase further.

Information security, data confidentiality and integrity are of critical importance to our businesses. Despite our wide array of security measures to protect the confidentiality, integrity and availability of our systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to our systems and information. We could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties.

If any of our systems do not operate properly or are compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact, we could be subject to litigation or suffer financial loss not covered by insurance, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. Any such event could also require us to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

**We may suffer losses due to employee misconduct**

Our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of "rogue traders" or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

## RISK MANAGEMENT

We have risk management procedures and policies designed to manage our risk. These techniques and policies, however, may not always be effective, particularly in highly volatile markets. We continue to adapt our risk management techniques, in particular value-at-risk and economic capital, which rely on historical data, to reflect changes in the financial and credit markets. No risk management procedures can anticipate every market development or event, and our risk management procedures and hedging strategies, and the judgments behind them, may not fully mitigate our risk exposure in all markets or against all types of risk.

▸ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our risk management.

## LEGAL AND REGULATORY RISKS

**Our exposure to legal liability is significant**

We face significant legal risks in our businesses, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms are increasing.

We and our subsidiaries are subject to a number of material legal proceedings, regulatory actions and investigations, and an adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular period, depending, in part, upon our results for such period.

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for information relating to these and other legal and regulatory proceedings involving our Investment Banking and other businesses.

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Management is required to establish, increase or release reserves for losses that are probable and reasonably estimable in connection with these matters.

▸ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for more information.

**Regulatory changes may adversely affect our business and ability to execute our strategic plans**

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Switzerland, the EU, the UK, the US and other jurisdictions in which we operate around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit our activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which we may operate or invest. Such limitations can have a negative effect on our business and our ability to implement strategic initiatives. To the extent we are required to divest certain businesses, we could incur losses, as we may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

Since 2008, regulators and governments have focused on the reform of the financial services industry, including enhanced capital, leverage and liquidity requirements, changes in compensation practices (including tax levies) and measures to address systemic risk, including potentially ring-fencing certain activities and operations within specific legal entities. We are already subject to extensive regulation in many areas of our business and expect to face increased regulation and regulatory scrutiny and enforcement. We expect such increased regulation to continue to increase our costs, including, but not limited to, costs related to compliance, systems and operations, as well as affecting our ability to conduct certain businesses, which could adversely affect our profitability and competitive position. Variations in the details and implementation of such regulations may further negatively affect us, as certain requirements currently are not expected to apply equally to all of our competitors or to be implemented uniformly across jurisdictions.

For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by Basel III, together with more stringent requirements imposed by the Swiss "Too Big To Fail" legislation and its implementing ordinances and related actions by our regulators, have contributed to our decision to reduce risk-weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the "Volcker Rule", derivatives regulation, and other regulatory developments described in "Regulation and supervision", have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. New CFTC and SEC rules could materially increase the operating costs, including compliance, information technology and related costs, associated with our derivatives businesses with US persons, while at the same time making it more difficult for us to transact derivatives business outside the US. Further, in February 2014, the Fed enacted a final rule under the Dodd-Frank Act that created a new framework for regulation of the US operations of foreign banking organizations such as ours. Although the final impact of the new rule cannot be fully predicted at this time, it is expected to result in our incurring additional costs and to affect the way we conduct our business in the US, including by requiring us to create a single US intermediate holding company. Similarly, recently enacted and possible future cross-border tax regulation with extraterritorial effect, such as the US Foreign Account Tax Compliance Act, and bilateral tax treaties, such as Switzerland's treaties with the UK and Austria, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. Finally, implementation of EMIR, CRD IV and the proposed revisions to MiFID II may negatively affect our business activities. If Switzerland does not pass legislation that is deemed equivalent to EMIR and MiFID II in a timely manner, Swiss banks, including us, may be limited from participating in businesses regulated by such laws.

We expect the financial services industry, including us, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2014 and beyond. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect our results of operations.

Despite our best efforts to comply with applicable regulations, a number of risks remain, particularly in areas where applicable regulations may be unclear or inconsistent among jurisdictions or where regulators revise their previous guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.

‣ Refer to "Regulation and supervision" for a description of our regulatory regime and a summary of some of the significant regulatory and government reform proposals affecting the financial services industry as well as to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

### Swiss resolution proceedings may affect our shareholders and creditors

Pursuant to Swiss banking laws, FINMA has broad powers and discretion in the case of resolution proceedings with respect to a Swiss bank, such as Credit Suisse AG. These broad powers include the power to cancel Credit Suisse AG's outstanding equity (which currently is Credit Suisse Group AG's primary asset), convert debt instruments and other liabilities of Credit Suisse AG into equity and cancel such liabilities in whole or in part. As of the date hereof, FINMA's broad resolution powers apply only to duly licensed banks in Switzerland such as Credit Suisse AG, and not to a parent company of a financial group such as Credit Suisse Group AG. However, a consultation process was recently launched regarding a proposed amendment to the Bank Law that would extend the scope of the Swiss bank resolution regime thereunder to Swiss parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to a financial group. It is not possible to predict whether or when any such amendment will be enacted, what final form it would take and what effect it could have on shareholders or creditors of Credit Suisse Group AG or Credit Suisse Group AG generally. However, if the Bank Law were amended so that the same resolution regime that currently applies to Credit Suisse AG were to apply to Credit Suisse Group AG, FINMA would be able to exercise its resolution powers thereunder to, among other things, cancel Credit Suisse Group AG's outstanding equity, convert debt instruments and other liabilities of Credit Suisse Group AG into equity and cancel such liabilities in whole or in part in restructuring proceedings.

‣ Refer to "Recent regulatory developments and proposals – Switzerland" and "Regulatory framework – Switzerland – Resolution regime" in Regulation and supervision for a description of the current resolution regime under Swiss banking laws as it applies to Credit Suisse AG.

### Changes in monetary policy are beyond our control and difficult to predict

We are affected by the monetary policies adopted by the central banks and regulatory authorities of Switzerland, the US and other countries. The actions of the SNB and other central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold and the competitive and operating environment for the financial services industry. Many central banks have implemented significant changes to their monetary policy. We cannot predict whether these changes will have a material adverse effect on us or our operations. In addition, changes in monetary policy may affect the credit quality of our customers. Any changes in monetary policy are beyond our control and difficult to predict.

**Legal restrictions on our clients may reduce the demand for our services**

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulations and policies, and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets. For example, focus on tax compliance and changes in enforcement practices could lead to asset outflows (primarily from customers in mature Western European markets) from our Wealth Management Clients business in Switzerland.

**Any conversion of our convertible capital instruments will dilute the ownership interests of existing shareholders**

Under Swiss regulatory capital rules, we are required to issue a significant amount of contingent capital instruments, certain of which will convert into common equity upon the occurrence of specified triggering events, including our Basel III CET1 ratio falling below prescribed thresholds, or a determination by FINMA that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent. We have already issued in the aggregate an equivalent of CHF 8.1 billion in principal amount of such convertible contingent capital, and we may issue more such convertible contingent capital in the future. The conversion of some or all of our convertible contingent capital due to the occurrence of a triggering event will result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

▸ Refer to "Banking relationships and related party transactions" in IV – Corporate Governance and Compensation – Corporate Governance for more information on the triggering events related to our convertible contingent capital instruments.

## COMPETITION

**We face intense competition**

We face intense competition in all financial services markets and for the products and services we offer. Consolidation through mergers, acquisitions, alliances and cooperation, including as a result of financial distress, has increased competitive pressures. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. Current market conditions have resulted in significant changes in the competitive landscape in our industry as many institutions have merged, altered the scope of their business, declared bankruptcy, received government assistance or changed their regulatory status, which will affect how they conduct their business. In addition, current market conditions have had a fundamental impact on client demand for products and services. Although we expect the increasing consolidation and changes in our industry to offer opportunities, we can give no assurance that our results of operations will not be adversely affected.

**Our competitive position could be harmed if our reputation is damaged**

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to our performance, including our ability to attract and maintain clients and employees. Our reputation could be harmed if our comprehensive procedures and controls fail, or appear to fail, to address conflicts of interest, prevent employee misconduct, produce materially accurate and complete financial and other information or prevent adverse legal or regulatory actions.

▸ Refer to "Reputational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management for more information.

**We must recruit and retain highly skilled employees**

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition for qualified employees is intense. We have devoted considerable resources to recruiting, training and compensating employees. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. The continued public focus on compensation practices in the financial services industry, and related regulatory changes, may have an adverse impact on our ability to attract and retain highly skilled employees. In particular, new limits on the amount and form of executive compensation imposed by recent regulatory initiatives, including the Ordinance Against Excessive Compensation in Switzerland and the implementation of CRD IV in the UK, could potentially have an adverse impact on our ability to retain certain of our most highly skilled employees and hire new qualified employees in certain businesses.

**We face competition from new trading technologies**

Our businesses face competitive challenges from new trading technologies, which may adversely affect our commission and trading revenues, exclude our businesses from certain transaction flows, reduce our participation in the trading markets and the associated access to market information and lead to the creation of new and stronger competitors. We have made, and may continue to be required to make, significant additional expenditures to develop and support new trading systems or otherwise invest in technology to maintain our competitive position.

## RISKS RELATING TO OUR STRATEGY

### We may not achieve all of the expected benefits of our strategic initiatives

In light of increasing regulatory and capital requirements and continued challenging market and economic conditions, to optimize our use of capital and improve our cost structure we have continued to adapt our client-focused, capital-efficient strategy and have implemented new cost-savings measures while decreasing the size of our balance sheet and reducing our risk-weighted assets. In the fourth quarter of 2013, we created non-strategic units within our Investment Banking and Private Banking & Wealth Management divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations and other challenges discussed in this report, could limit our ability to achieve some or all of the expected benefits of these initiatives.

In addition, acquisitions and other similar transactions we undertake as part of our strategy subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses.

We may also seek to engage in new joint ventures and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify our investment and other commitments.

### We have announced a program to evolve our legal entity structure and cannot predict its final form or potential effects

In November 2013, we announced key components of our program to evolve our legal entity structure. The program is designed to meet developing and future regulatory requirements. Subject to further analysis and approval by FINMA, implementation of the program is underway, with a number of key components expected to be implemented from mid-2015. This program remains subject to a number of uncertainties that may affect its feasibility, scope and timing. In addition, significant legal and regulatory changes affecting us and our operations may require us to make further changes in our legal structure. The implementation of these changes will require significant time and resources and may potentially increase operational, capital, funding and tax costs as well as our counterparties' credit risk.

▸ Refer to "Evolution of legal entity structure" in II – Operating and financial review – Credit Suisse – Information and developments for further information on our legal entity structure.

# II

# Operating and financial review

# Operating environment

Economic conditions improved in 2013, first in the US and then in Europe. Growth in emerging markets slowed, with China showing signs of stabilization. Equity markets ended the year higher. Interest rates remained low despite government bond yields rising over the course of the year. The performance of the US dollar against most major currencies was mixed.

## ECONOMIC ENVIRONMENT

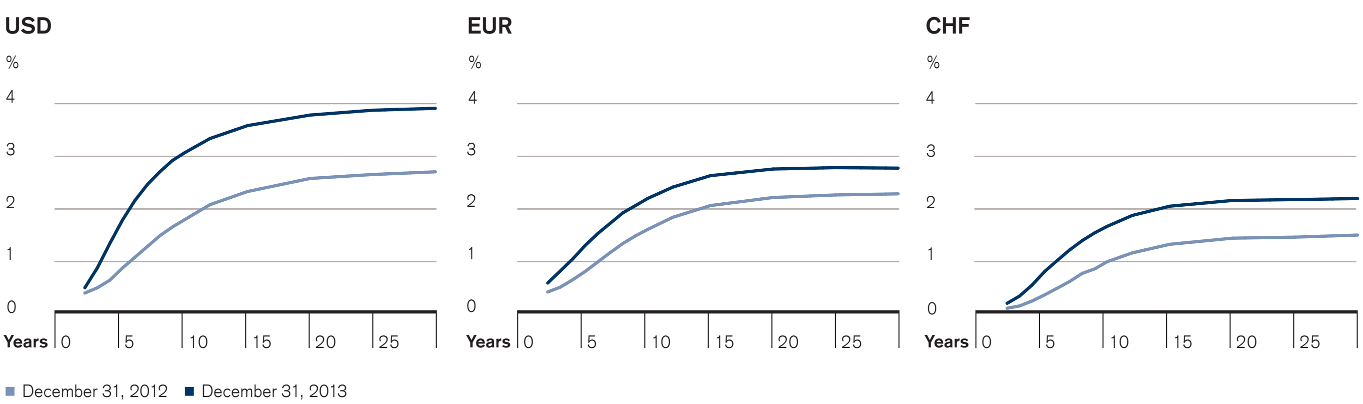
Global gross domestic product growth improved in 2013 as economic indicators showed solid improvement and the risks of a renewed eurozone crisis waned. In the US, the unemployment rate fell to 6.7% by the end of the year, a five year low, and the housing market continued to improve. The eurozone economy began its recovery in the second half of the year and economic indicators remained consistent with ongoing expansion. The overall growth trend in emerging markets decelerated, and China showed signs of stabilization. Inflation fell in most developed countries; however, there was continued inflationary pressure in emerging markets.

The US Federal Reserve (Fed) announced after its June 2013 meeting that it might reduce the pace of its monthly financial asset purchases associated with its quantitative easing program later in the year, but it continued to signal its intent to keep rates low for the foreseeable future. Meanwhile, both the European Central Bank (ECB) and the Bank of England committed to keep interest rates low for a prolonged period. The ECB cut its main refinancing rate in two steps by 0.5%. Central banks in Brazil and Indonesia, on the other hand, increased interest rates in reaction to declining exchange rates and increasing inflationary pressure. The Bank of Japan announced a massive monetary stimulus program in April in order to achieve a 2% inflation target within two years. As part of the program the monetary base is targeted to almost double by year-end 2014.

Early in the year, equity markets benefited from easy monetary conditions and generally improved corporate earnings as well as moderately increased mergers and acquisitions (M&A) activity. However, renewed uncertainties over the election outcome in Italy combined with the Cyprus bail-out slowed momentum. By mid-year, fears of slowing economic growth, less monetary easing by the Fed and rising interest rates had contributed to underperformance in cyclical stocks, such as materials and energy company shares, and emerging markets. US markets and most European markets were resilient overall. Through the rest of the year, global equity markets had a strong performance, with most regions and all sectors posting solid gains. Equity market volatility, as indicated by the Chicago Board Options Exchange Market Volatility Index (VIX), started to increase in June, but then decreased through year-end despite a temporary spike at the end of August (refer to the charts "Equity markets"). The Credit Suisse Hedge Fund Index increased 9.7% in 2013.

### Yield curves

Yield curves increased across all maturities in 2013.



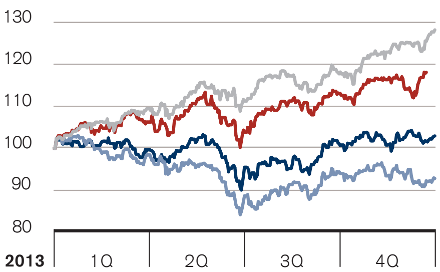

**Source:** Datastream, Credit Suisse

## Equity markets

Equity markets closed 2013 higher. European banks underperformed in the first half of the year. Equity market volatility was low.

**Performance by region**

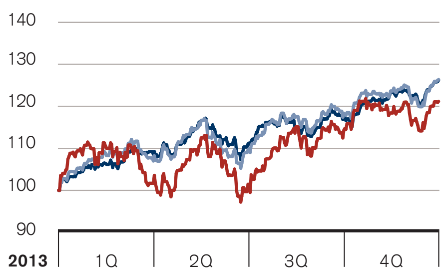
Index (December 31, 2012 = 100)




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

**Performance world banks**

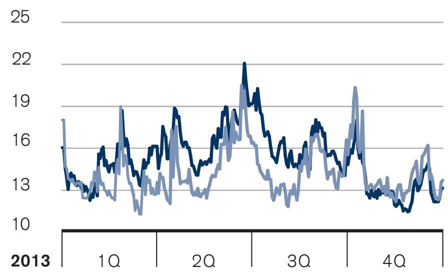
Index (December 31, 2012 = 100)




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

**Volatility**

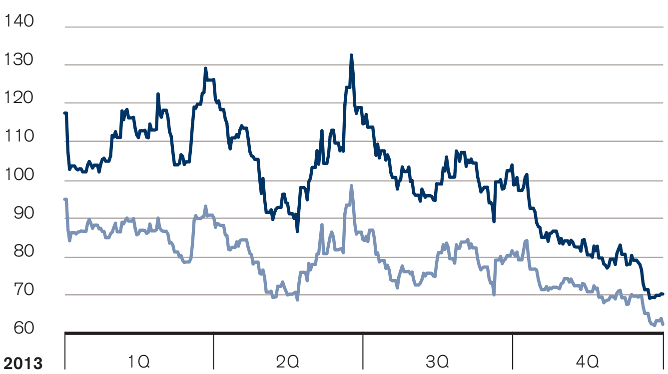
%




**Source:** Datastream, Credit Suisse

## Credit spreads

Credit spreads tightened in 2013 due to improved economic conditions.




**Source:** Bloomberg, Credit Suisse

In fixed income, major benchmark government bond yields were volatile, increasing significantly until the beginning of September. Following the Fed's mid-September announcement to maintain its pace of monthly asset purchases at USD 85 billion, yields declined and started to increase again through the end of the year when the Fed announced in mid-December its decision to reduce the pace of its monthly asset purchases to USD 75 billion. The fixed income market also reflected forward guidance from other central banks for low interest rates (refer to the charts "Yield curves"). High yield spreads tightened from their highs reached in June and posted a positive performance in 2013 (refer to the chart "Credit spreads"). Emerging market sovereign spreads were volatile, especially as exchange rate volatility affected those in local currency. Overall, emerging market hard currency and local currency bonds posted modest losses in 2013.

The US dollar had a mixed performance against most major currencies in 2013. The euro, Swiss franc and British pound appreciated versus the US dollar. The Swiss National Bank (SNB) maintained its minimum exchange rate for the euro against the Swiss franc at 1.20. Commodity currencies, such as the Australian and Canadian dollars, weakened versus the US dollar on lower growth and accommodative central bank policy. Emerging market economies, such as Brazil, India, South Africa and Turkey, experienced pressure on their foreign exchange rates as US yields increased. The Japanese yen continued to weaken against the US dollar in 2013.

With US yields rising and Chinese growth stabilizing, the environment for commodities has been challenging. Commodity markets generally benefited from stronger growth and suffered from rising bond yields. In 2013, the overall commodity index as measured by the Credit Suisse Commodity Benchmark finished the year 1.8% lower. Energy prices ended the year higher with the US benchmark West Texas Intermediate oil price gaining 5.6%. Gold was among the worst performing commodities during the year, with prices falling more than 28% to almost USD 1,200.

## Market volumes (growth in % year on year)

| 2013 | Global | Europe |
|---|---|---|
| Equity trading volume [1] | (3) | – |
| Announced mergers and acquisitions [2] | 8 | 3 |
| Completed mergers and acquisitions [2] | 2 | 23 |
| Equity underwriting [2] | 32 | 41 |
| Debt underwriting [2] | 1 | 10 |
| Syndicated lending – investment-grade [2] | 14 | – |

1 London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ.
2 Dealogic.

### SECTOR ENVIRONMENT

The banking sector benefited from central bank measures while it continued to transition to new regulatory requirements. Global banks took significant steps to restructure businesses and decrease costs while also taking measures to increase capital and liquidity ratios. North American bank stocks performed in-line with global equity indices and ended the year 25% higher. European bank stocks finished the year 21% higher (refer to the charts "Equity markets").

Private banking clients maintained a cautious investment stance amid prevailing market uncertainty, with cash deposits remaining high despite low interest rates. Equity funds witnessed strong net inflows in 2013. In contrast, fixed income funds saw large withdrawals especially in the second half of the year. In Switzerland, concerns about the real estate market overheating in certain areas remained pronounced, with the SNB reiterating concerns about the buildup of imbalances in mortgage and real estate markets. The wealth management sector continued to adapt to further industry-specific regulatory changes.

In investment banking, equity trading volume was comparable to 2012. Trading volumes in Europe were generally higher, while volumes in the US decreased. US fixed income volumes were slightly lower compared to 2012, with weaker federal agency and mortgage backed volumes being partially offset by higher treasuries and corporate volumes. Compared to 2012, activity from global completed M&A volumes increased slightly and global announced M&A volumes rose 8%. Global equity underwriting volumes increased significantly and global debt underwriting volumes remained stable, both compared to 2012.

# Credit Suisse

In 2013, we recorded net income attributable to shareholders of CHF 2,326 million. Diluted earnings per share from continuing operations were CHF 1.14 and return on equity attributable to shareholders was 5.7%.

As of the end of 2013, our CET1 ratio under Basel III was 15.7% and 10.0% on a look-through basis. Our risk-weighted assets decreased 6% compared to 2012 to CHF 273.8 billion.

## Results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 8,115 | 7,143 | 6,426 | 14 | 11 |
| Commissions and fees | 13,226 | 12,724 | 12,638 | 4 | 1 |
| Trading revenues | 2,739 | 1,196 | 5,021 | 129 | (76) |
| Other revenues | 1,776 | 2,548 | 1,806 | (30) | 41 |
| **Net revenues** | **25,856** | **23,611** | **25,891** | 10 | (9) |
| **Provision for credit losses** | **167** | **170** | **187** | (2) | (9) |
| Compensation and benefits | 11,256 | 12,303 | 13,001 | (9) | (5) |
| General and administrative expenses | 8,599 | 7,246 | 7,293 | 19 | (1) |
| Commission expenses | 1,738 | 1,702 | 1,939 | 2 | (12) |
| Total other operating expenses | 10,337 | 8,948 | 9,232 | 16 | (3) |
| **Total operating expenses** | **21,593** | **21,251** | **22,233** | 2 | (4) |
| **Income from continuing operations before taxes** | **4,096** | **2,190** | **3,471** | 87 | (37) |
| Income tax expense | 1,276 | 465 | 656 | 174 | (29) |
| **Income from continuing operations** | **2,820** | **1,725** | **2,815** | 63 | (39) |
| Income/(loss) from discontinued operations | 145 | (40) | (25) | – | 60 |
| **Net income** | **2,965** | **1,685** | **2,790** | 76 | (40) |
| Net income attributable to noncontrolling interests | 639 | 336 | 837 | 90 | (60) |
| **Net income/(loss) attributable to shareholders** | **2,326** | **1,349** | **1,953** | 72 | (31) |
| of which from continuing operations | 2,181 | 1,389 | 1,978 | 57 | (30) |
| of which from discontinued operations | 145 | (40) | (25) | – | 60 |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 39 | (39) |
| Basic earnings per share | 1.22 | 0.79 | 1.32 | 54 | (40) |
| Diluted earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 39 | (39) |
| Diluted earnings per share | 1.22 | 0.79 | 1.32 | 54 | (40) |
| **Return on equity (%)** | | | | | |
| Return on equity attributable to shareholders | 5.7 | 3.9 | 6.0 | – | – |
| Return on tangible equity attributable to shareholders [1] | 7.2 | 5.2 | 8.1 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 46,000 | 47,400 | 49,700 | (3) | (5) |

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

## Credit Suisse and Core Results

| | | | Core Results | Noncontrolling interests without SEI | | | | | Credit Suisse |
|---|---|---|---|---|---|---|---|---|---|
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **25,217** | **23,251** | **25,095** | **639** | **360** | **796** | **25,856** | **23,611** | **25,891** |
| **Provision for credit losses** | **167** | **170** | **187** | **0** | **0** | **0** | **167** | **170** | **187** |
| Compensation and benefits | 11,221 | 12,267 | 12,939 | 35 | 36 | 62 | 11,256 | 12,303 | 13,001 |
| General and administrative expenses | 8,587 | 7,224 | 7,271 | 12 | 22 | 22 | 8,599 | 7,246 | 7,293 |
| Commission expenses | 1,738 | 1,702 | 1,939 | 0 | 0 | 0 | 1,738 | 1,702 | 1,939 |
| Total other operating expenses | 10,325 | 8,926 | 9,210 | 12 | 22 | 22 | 10,337 | 8,948 | 9,232 |
| **Total operating expenses** | **21,546** | **21,193** | **22,149** | **47** | **58** | **84** | **21,593** | **21,251** | **22,233** |
| **Income from continuing operations before taxes** | **3,504** | **1,888** | **2,759** | **592** | **302** | **712** | **4,096** | **2,190** | **3,471** |
| Income tax expense | 1,276 | 465 | 656 | 0 | 0 | 0 | 1,276 | 465 | 656 |
| **Income from continuing operations** | **2,228** | **1,423** | **2,103** | **592** | **302** | **712** | **2,820** | **1,725** | **2,815** |
| Income/(loss) from discontinued operations | 145 | (40) | (25) | 0 | 0 | 0 | 145 | (40) | (25) |
| **Net income** | **2,373** | **1,383** | **2,078** | **592** | **302** | **712** | **2,965** | **1,685** | **2,790** |
| Net income attributable to noncontrolling interests | 47 | 34 | 125 | 592 | 302 | 712 | 639 | 336 | 837 |
| **Net income attributable to shareholders** | **2,326** | **1,349** | **1,953** | **0** | **0** | **0** | **2,326** | **1,349** | **1,953** |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 85.4 | 91.1 | 88.3 | – | – | – | 83.5 | 90.0 | 85.9 |
| Pre-tax income margin | 13.9 | 8.1 | 11.0 | – | – | – | 15.8 | 9.3 | 13.4 |
| Effective tax rate | 36.4 | 24.6 | 23.8 | – | – | – | 31.2 | 21.2 | 18.9 |
| Net income margin [1] | 9.2 | 5.8 | 7.8 | – | – | – | 9.0 | 5.7 | 7.5 |

[1] Based on amounts attributable to shareholders.

### DIFFERENCES BETWEEN GROUP AND BANK

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

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

‣ Refer to "Note 40 – Subsidiary guarantee information" in V – Consolidated financial statements – Credit Suisse Group for further information on the Bank.

## Differences between Group and Bank businesses

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

## Comparison of consolidated statements of operations

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **25,856** | **23,611** | **25,891** | **25,330** | **23,178** | **24,853** |
| **Total operating expenses** | **21,593** | **21,251** | **22,233** | **21,567** | **21,108** | **22,219** |
| **Income from continuing operations before taxes** | **4,096** | **2,190** | **3,471** | **3,670** | **1,982** | **2,511** |
| Income tax expense | 1,276 | 465 | 656 | 1,177 | 447 | 444 |
| **Income from continuing operations** | **2,820** | **1,725** | **2,815** | **2,493** | **1,535** | **2,067** |
| Income/(loss) from discontinued operations | 145 | (40) | (25) | 145 | (40) | (25) |
| **Net income** | **2,965** | **1,685** | **2,790** | **2,638** | **1,495** | **2,042** |
| Net income/(loss) attributable to noncontrolling interests | 639 | 336 | 837 | 860 | (600) | 901 |
| **Net income attributable to shareholders** | **2,326** | **1,349** | **1,953** | **1,778** | **2,095** | **1,141** |

## Comparison of consolidated balance sheets

| | Group | | Bank | |
|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 872,806 | 924,280 | 854,412 | 908,160 |
| Total liabilities | 825,640 | 881,996 | 810,849 | 865,999 |

## Capitalization and indebtedness

| | Group | | Bank | |
|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 |
| **Capitalization and indebtedness (CHF million)** | | | | |
| Due to banks | 23,108 | 31,014 | 23,147 | 30,574 |
| Customer deposits | 333,089 | 308,312 | 321,851 | 297,690 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 94,032 | 132,721 | 94,032 | 132,721 |
| Long-term debt | 130,042 | 148,134 | 126,641 | 146,997 |
| Other liabilities | 245,369 | 261,815 | 245,178 | 258,017 |
| **Total liabilities** | **825,640** | **881,996** | **810,849** | **865,999** |
| **Total equity** | **47,166** | **42,284** | **43,563** | **42,161** |
| **Total capitalization and indebtedness** | **872,806** | **924,280** | **854,412** | **908,160** |

## Capital adequacy – Basel III

| | Group | | Bank | |
|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 |
| **Eligible capital (CHF million)** | | | | |
| Common equity tier 1 (CET1) capital | 42,989 | 41,500 | 38,028 | 36,717 |
| Total tier 1 capital | 46,061 | 44,357 | 41,105 | 40,477 |
| Total eligible capital | 56,288 | 51,519 | 52,066 | 49,306 |
| **Capital ratios (%)** | | | | |
| CET1 ratio | 15.7 | 14.2 | 14.4 | 13.0 |
| Tier 1 ratio | 16.8 | 15.2 | 15.6 | 14.3 |
| Total capital ratio | 20.6 | 17.6 | 19.7 | 17.5 |

## Dividends of the Bank to the Group

| end of | 2013 | 2012 |
|---|---|---|
| **Per share issued (CHF)** | | |
| Dividend [1, 2] | 0.00 [3] | 0.23 |

The Bank's total share capital is fully paid and consisted of 4,399,665,200 and 43,996,652 registered shares as of December 31, 2013 and 2012, respectively. The increase in number of shares reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013.

[1] Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation.

[2] In 2011, 2010 and 2009, dividends per share issued were CHF 0.23, CHF 0.23 and CHF 68.19, respectively.

[3] Proposal of the Board of Directors to the annual general meeting of the Bank for a dividend of CHF 10 million.

## INFORMATION AND DEVELOPMENTS

### Format of presentation and changes in reporting

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

As of January 1, 2013, the Basel Committee on Banking Supervision Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Our calculations of year-end 2012 capital and ratio amounts, which are presented in order to show meaningful comparative information, use estimates as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons.

▸ Refer to "Swiss leverage ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital metrics under Swiss requirements for further information.

Beginning in the first quarter of 2013, assets within the Private Banking & Wealth Management and Investment Banking segments exclude intra-Group balances between the segments. Prior periods have been reclassified to conform to the current presentation.

### Introduction of non-strategic units

In the fourth quarter of 2013, we created non-strategic units within our Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives. The results are disclosed separately within the divisional results and we have implemented a governance structure to accelerate position and expense reductions. We believe this new reporting structure, which clearly delineates between strategic and non-strategic results, enhances the transparency of our financial disclosures while providing increased focus on our strategic businesses within the business divisions and on the Group level. Prior periods have been restated to conform to the current presentation.

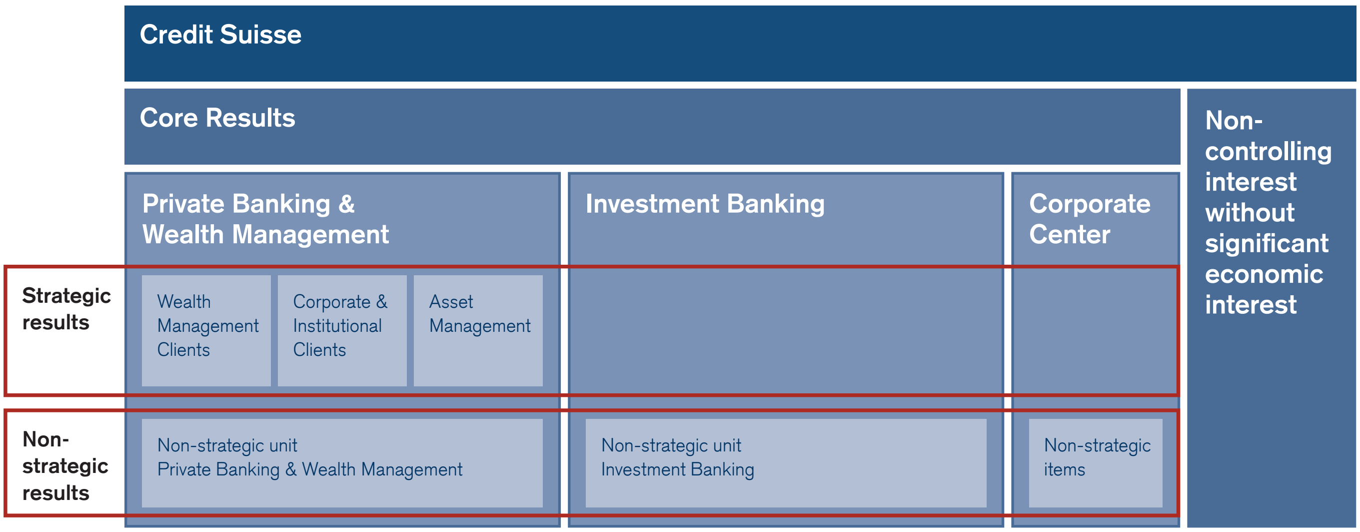
We decided to retain these non-strategic units within the divisions, rather than establishing a single non-strategic unit, so as to benefit from senior management's expertise and focus. The non-strategic units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board. As a result, we expect that the establishment of these non-strategic units will drive further reductions in Swiss leverage exposure and risk-weighted assets. It is also expected to free up capital for future growth in Private Banking & Wealth Management, accelerating a move towards a more balanced capital allocation between Investment Banking and Private Banking & Wealth Management, and to allow us to return capital to our shareholders.

Non-strategic activities and positions are defined as:

- activities with significant capital absorption under new regulations and returns below expectations;
- activities with significant leverage exposures identified for de-risking;
- activities no longer feasible or economically attractive under emerging regulatory frameworks;
- assets and liabilities of business activities we are winding down;
- infrastructure associated with activities deemed non-strategic or redundant; and
- other items reported in the Corporate Center, which we do not consider representative of our core performance.

In Private Banking & Wealth Management, we established a non-strategic unit which includes positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

## Credit Suisse reporting structure




In Investment Banking, we transferred into the divisional non-strategic unit our fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

In the Corporate Center, we separately present non-strategic items, which we do not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at fair value, certain business realignment costs and IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit. Corporate Center items previously disclosed as adjustments from our reported to underlying results are now presented as non-strategic items, with the exception of business divisions' non-strategic realignment costs, which beginning in the fourth quarter of 2013 are reported directly in the relevant divisional non-strategic unit. Strategic business division realignment costs will continue to be reported in the Corporate Center.

### Discontinued operations

In the third quarter of 2013, the Private Banking & Wealth Management division completed the sales of its exchange-traded funds (ETF) business and Strategic Partners, and announced the sale of Customized Fund Investment Group (CFIG), which was completed in January 2014. In the fourth quarter of 2013, the division announced the sale of its domestic private banking business booked in Germany to ABN AMRO, which is expected to close in 2014. These transactions qualify for discontinued operations treatment under accounting principles generally accepted in the US (US GAAP), and revenues and expenses of these businesses and the relevant gains on disposal are classified as discontinued operations in the Group's consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment's non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center. Prior periods for the Group's results have been restated to conform to the current presentation.

### Significant litigation matters in 2013

On March 21, 2014, we entered into an agreement with the Federal Housing Finance Agency (FHFA) to settle litigation claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, we will pay USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against us.

For 2013, we recorded litigation provisions of CHF 600 million in our Private Banking & Wealth Management division in connection with the US tax matter, where we continue to work towards a resolution, including CHF 175 million in connection with the settlement with the SEC in February 2014.

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on litigation.

### Board of Directors and management changes

At our Annual General Meeting (AGM) in April 2013, shareholders elected Kai S. Nargolwala as a new member to the Board of Directors, and re-elected Noreen Doyle and Jassim Bin Hamad J.J. Al Thani, each for a term of three years. Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz retired from the Board of Directors at the 2013 AGM.

As of December 31, 2013, Tobias Guldimann stepped down from the Executive Board and his position as Chief Risk Officer. Effective January 1, 2014, Joachim Oechslin assumed the role of Chief Risk Officer and joined the Executive Board.

### Capital distribution proposal

At the AGM on May 9, 2014, the Board of Directors will propose a cash distribution of CHF 0.70 per share to be paid out of reserves from capital contributions for the financial year 2013. The distribution out of reserves from capital contributions will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment.

### Share issuances

In the second quarter of 2013, we issued 200.0 million Group shares out of conditional, conversion and authorized capital in connection with the conversion of mandatory and contingent convertible securities (MACCS). The shares were delivered on April 8, 2013.

At the 2013 AGM, shareholders approved a distribution in the form of CHF 0.10 per registered share in cash and in the form of new shares with an equivalent value of approximately CHF 0.65 per registered share for the 2012 financial year. As a result, we issued 37.6 million new Group shares out of authorized capital in May 2013.

We also issued 37.8 million new Group shares in connection with share-based compensation awards in 2013.

▸ Refer to "Additional share information" in V – Consolidated financial statements – Credit Suisse Group – Note 25 – Accumulated other comprehensive income and additional share information for further information on share issuances.

### Evolution of legal entity structure

Since 2012, we have been developing a program to evolve the Group's legal entity structure to meet developing and future regulatory requirements. This has been prepared in discussion with our primary regulator Swiss Financial Market Supervisory Authority FINMA (FINMA) and will address regulations in Switzerland, the US and the UK with respect to future requirements for global recovery and resolution planning by systemically important banks such as Credit Suisse that will facilitate resolution of an institution in the event of a failure. We expect these changes will result in a substantially less complex and more efficient operating infrastructure for the Group. Furthermore, Swiss banking law provides for the possibility of a limited reduction in capital requirements in the event of an improvement in resolvability which this program intends to deliver.

The key components of the program are:

- in Switzerland we plan to create a subsidiary for our Swiss-booked business (primarily wealth management, retail and corporate and institutional clients as well as the product and sales hub in Switzerland);
- our UK operations will remain the hub of our European investment banking business and we are planning that our two principal UK operating subsidiaries will be consolidated into a single subsidiary. The program will look to align non-European business to the appropriate entities in the Americas and in Asia Pacific;
- in the US, our existing broker-dealer subsidiary is planned to remain a subsidiary of our existing US holding company. The holding company will hold its US-based operating businesses and be subject to the Fed final rules for supervision of foreign banking operations in the US. Additionally, subject to US regulatory approvals, our US derivatives business, currently booked in one of the above noted UK operating subsidiaries, is anticipated to be transferred to the existing US broker-dealer;
- we intend to create a separately capitalized global infrastructure legal entity in Switzerland and a US subsidiary of the above noted US holding company. In principle, these will include all Shared Services functions; and
- once the legal framework is finalized, we plan to issue bail-in eligible debt out of the existing Group holding company to enable a single point of entry bail-in resolution strategy.

The program has been approved by the Board of Directors of the Group, but is subject to final approval by FINMA. Implementation of the program is underway, with a number of key components expected to be implemented from mid-2015.

### Risk trends

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2013. During the year, we took additional steps to adapt our businesses and our risk management approaches and methodologies to the new regulatory requirements. In 2013, overall position risk increased 7%, utilized economic capital increased 4%, average risk management value-at-risk in US dollars for our trading books decreased 27% and our impaired loans decreased 14% to CHF 1.5 billion.

▸ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk trends.

### Allocations and funding

#### Revenue sharing and cost allocation

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions.

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

### Funding

We centrally manage our funding activities. New securities for funding and capital purposes are issued primarily by the Bank.

▸ Refer to "Funding" in V – Consolidated financial statements – Credit Suisse Group – Note 5 – Segment information for further information.

## Fair valuations

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets (level 1) or observable inputs (level 2). These instruments include government and agency securities, certain commercial paper, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain over-the-counter (OTC) derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and collateralized debt obligation securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

Models were used to value these products. Models are developed internally and are reviewed by functions independent of the front office to ensure they are appropriate for current market conditions. The models require subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and risks affecting the specific instrument. The models consider observable and unobservable parameters in calculating the value of these products, including certain indices relating to these products. Consideration of these indices is more significant in periods of lower market activity.

As of the end of 2013, 47% and 33% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets recorded as level 3 declined by CHF 0.6 billion during 2013, primarily reflecting decreases in trading assets and other investments, partially offset by increases in loans and loans held-for-sale. The decrease in trading assets primarily reflected net transfers out of level 3 due to improved observability of pricing data and net settlements, partially offset by realized and unrealized gains. The decrease in other investments primarily reflected net sales, partially offset by realized and unrealized gains. The increase in loans primarily reflected net issuances, partially offset by net transfers out of level 3 due to improved observability of pricing data and net sales. The increase in loans held-for-sale primarily reflected net transfers into level 3 due to limited observability of pricing data and net purchases.

Our level 3 assets, excluding noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 29.8 billion, compared to CHF 29.7 billion as of the end of 2012. As of the end of 2013, these assets comprised 4% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, compared to 3% and 7% as of the end of 2012, respectively.

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

## Regulatory developments and proposals

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

▸ Refer to "Regulation and supervision" in I – Information on the company for further information.

# Core Results

For 2013, net income attributable to shareholders was CHF 2,326 million. Net revenues were CHF 25,217 million and total operating expenses were CHF 21,546 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 7,132 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 3,628 million in 2013.

## Results

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 8,100 | 7,126 | 6,398 | 14 | 11 |
| Commissions and fees | 13,249 | 12,751 | 12,670 | 4 | 1 |
| Trading revenues | 2,750 | 1,162 | 4,922 | 137 | (76) |
| Other revenues | 1,118 | 2,212 | 1,105 | (49) | 100 |
| **Net revenues** | **25,217** | **23,251** | **25,095** | 8 | (7) |
| of which strategic results | 25,543 | 25,493 | 23,454 | – | 9 |
| of which non-strategic results | (326) | (2,242) | 1,641 | (85) | – |
| **Provision for credit losses** | **167** | **170** | **187** | (2) | (9) |
| Compensation and benefits | 11,221 | 12,267 | 12,939 | (9) | (5) |
| General and administrative expenses | 8,587 | 7,224 | 7,271 | 19 | (1) |
| Commission expenses | 1,738 | 1,702 | 1,939 | 2 | (12) |
| Total other operating expenses | 10,325 | 8,926 | 9,210 | 16 | (3) |
| **Total operating expenses** | **21,546** | **21,193** | **22,149** | 2 | (4) |
| of which strategic results | 18,316 | 19,099 | 19,961 | (4) | (4) |
| of which non-strategic results | 3,230 | 2,094 | 2,188 | 54 | (4) |
| **Income/(loss) from continuing operations before taxes** | **3,504** | **1,888** | **2,759** | 86 | (32) |
| of which strategic results | 7,132 | 6,267 | 3,388 | 14 | 85 |
| of which non-strategic results | (3,628) | (4,379) | (629) | (17) | – |
| Income tax expense | 1,276 | 465 | 656 | 174 | (29) |
| **Income from continuing operations** | **2,228** | **1,423** | **2,103** | 57 | (32) |
| Income/(loss) from discontinued operations | 145 | (40) | (25) | – | 60 |
| **Net income** | **2,373** | **1,383** | **2,078** | 72 | (33) |
| Net income attributable to noncontrolling interests | 47 | 34 | 125 | 38 | (73) |
| **Net income/(loss) attributable to shareholders** | **2,326** | **1,349** | **1,953** | 72 | (31) |
| of which strategic results | 5,065 | 4,796 | 2,676 | 6 | 79 |
| of which non-strategic results | (2,739) | (3,447) | (723) | (21) | 377 |
| **Statement of operations metrics (%)** | | | | | |
| Return on Basel III capital [1] | 9.2 | 4.6 | – | – | – |
| Cost/income ratio | 85.4 | 91.1 | 88.3 | – | – |
| Pre-tax income margin | 13.9 | 8.1 | 11.0 | – | – |
| Effective tax rate | 36.4 | 24.6 | 23.8 | – | – |
| Net income margin [2] | 9.2 | 5.8 | 7.8 | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 46,000 | 47,400 | 49,700 | (3) | (5) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 27% in 2013, 25% in 2012 and capital allocated at 10% of average risk-weighted assets.

[2] Based on amounts attributable to shareholders.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **25,543** | **25,493** | **23,454** | **(326)** | **(2,242)** | **1,641** | **25,217** | **23,251** | **25,095** |
| **Provision for credit losses** | **95** | **127** | **105** | **72** | **43** | **82** | **167** | **170** | **187** |
| Compensation and benefits | 10,506 | 11,215 | 11,744 | 715 | 1,052 | 1,195 | 11,221 | 12,267 | 12,939 |
| Total other operating expenses | 7,810 | 7,884 | 8,217 | 2,515 | 1,042 | 993 | 10,325 | 8,926 | 9,210 |
| **Total operating expenses** | **18,316** | **19,099** | **19,961** | **3,230** | **2,094** | **2,188** | **21,546** | **21,193** | **22,149** |
| **Income/(loss) from continuing operations before taxes** | **7,132** | **6,267** | **3,388** | **(3,628)** | **(4,379)** | **(629)** | **3,504** | **1,888** | **2,759** |
| Income tax expense/(benefit) | 2,020 | 1,437 | 587 | (744) | (972) | 69 | 1,276 | 465 | 656 |
| **Income/(loss) from continuing operations** | **5,112** | **4,830** | **2,801** | **(2,884)** | **(3,407)** | **(698)** | **2,228** | **1,423** | **2,103** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | 145 | (40) | (25) | 145 | (40) | (25) |
| **Net income/(loss)** | **5,112** | **4,830** | **2,801** | **(2,739)** | **(3,447)** | **(723)** | **2,373** | **1,383** | **2,078** |
| Net income attributable to noncontrolling interests | 47 | 34 | 125 | 0 | 0 | 0 | 47 | 34 | 125 |
| **Net income/(loss) attributable to shareholders** | **5,065** | **4,796** | **2,676** | **(2,739)** | **(3,447)** | **(723)** | **2,326** | **1,349** | **1,953** |
| **Balance sheet statistics (CHF billion)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 242,475 | 255,130 | – | 23,628 | 28,980 | – | 266,103 | 284,110 | – |
| Total assets | 821,207 | 862,101 | 978,142 | 47,975 | 58,073 | 66,274 | 869,182 | 920,174 | 1,044,416 |
| Swiss leverage exposure | 1,031,316 | – | – | 99,289 | – | – | 1,130,605 | – | – |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### RESULTS OVERVIEW

Core Results include the results of our two segments, the Corporate Center and discontinued operations. Core Results exclude revenues and expenses in respect of noncontrolling interests in which we do not have significant economic interest (SEI).

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

▸ Refer to "Format of presentation and changes in reporting" in Credit Suisse – Information and developments for further information.

#### 2013 versus 2012

In 2013, Core Results net income attributable to shareholders was CHF 2,326 million, up 72% compared to 2012, and net revenues of CHF 25,217 million increased 8% compared to 2012.

Strategic net revenues were stable at CHF 25,543 million compared to 2012, with stable net revenues for Private Banking & Wealth Management, reflecting higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and other revenues. Strategic net revenues for Investment Banking were slightly lower, reflecting decreased revenues in fixed income sales and trading and advisory revenues, partially offset by increased revenues in equity sales and trading and debt and equity underwriting.

In our non-strategic businesses, net revenue losses of CHF 326 million in 2013 improved from net revenue losses of CHF 2,242 million in 2012. An improvement in Corporate Center mainly reflected fair value losses of CHF 315 million from movements in own credit spreads in 2013 compared to fair value losses from movements in own credit spreads of CHF 2,939 million in 2012. Improved results in Investment Banking were driven by portfolio valuation gains and lower funding costs, while a decrease in Private Banking & Wealth Management reflected lower gains on sales of businesses and lower fee-based revenues resulting from those sales.

**Provision for credit losses** of CHF 167 million reflected net provisions of CHF 152 million in Private Banking & Wealth Management and CHF 13 million in Investment Banking.

**Total operating expenses** of CHF 21,546 million increased 2% compared to 2012, primarily reflecting 19% higher general and administrative expenses, partially offset by 9% lower compensation and benefits. In strategic businesses, total operating expenses of CHF 18,316 million decreased 4% from 2012, mainly reflecting lower compensation and benefits, driven by lower deferred compensation expense from prior-year awards and lower salary expenses, reflecting lower headcount. In non-strategic businesses, total operating expenses of CHF 3,230 million increased 54% from 2012, primarily reflecting higher general and administrative expenses, partially offset by a decrease in compensation and benefits. The increase in general and administrative expenses was primarily due to substantially higher litigation provisions in Investment Banking and Private Banking & Wealth Management. In 2013, we recorded provisions of CHF 1,117 million in connection with mortgage-related matters, including in connection with the agreement with the Federal Housing Finance Agency (FHFA) on March 21, 2014 to settle certain litigation relating to mortgage-backed securities, and CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014.

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on litigation.

The **Core Results effective tax rate** was 36.4% in 2013, compared to 24.6% in 2012. The effective tax rate for full-year 2013 was mainly impacted by the geographical mix of results, an increase and a re-assessment in deferred tax balances in Switzerland and also reflected changes in valuation allowances against deferred tax assets mainly in the UK. In addition, the tax charge was negatively affected by the impact of the change in UK corporation tax from 23% to 20%. Overall, net deferred tax assets decreased CHF 1,181 million to CHF 5,791 million during 2013.

‣ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

**2012 versus 2011**

In 2012, Core Results net income attributable to shareholders was CHF 1,349 million, down 31% compared to 2011, and net revenues of CHF 23,251 million in 2012 decreased 7% compared to 2011.

Strategic net revenues increased 9% to CHF 25,493 million compared to 2011. An increase in Investment Banking was primarily driven by substantially improved performance in our fixed income sales and trading business and higher revenues in our underwriting and advisory franchises. Strategic net revenues for Private Banking & Wealth Management were stable, reflecting lower recurring commissions and fees offset by slightly higher transaction- and performance-based revenues and higher other revenues.

In our non-strategic businesses, net revenues decreased from CHF 1,641 million in 2011 to net revenue losses of CHF 2,242 million in 2012. A decrease in Corporate Center mainly reflected fair value losses of CHF 2,939 million from movements in own credit spreads in 2012 compared to fair value gains from movements in own credit spreads of CHF 1,616 million in 2011. A decrease in Investment Banking was driven by increased losses from the fixed income wind-down portfolio and higher funding costs. An increase in Private Banking & Wealth Management was primarily due to the gain of CHF 384 million in 2012 on the sale of our ownership interest in Aberdeen Asset Management (Aberdeen).

**Provision for credit losses** of CHF 170 million reflected net provisions of CHF 182 million in Private Banking & Wealth Management and releases of CHF 12 million in Investment Banking in 2012.

**Total operating expenses** of CHF 21,193 million were down 4% compared to 2011, primarily reflecting 5% lower compensation and benefits and 12% lower commission expenses. In strategic businesses, total operating expenses of CHF 19,099 million decreased 4% from 2011, mainly reflecting lower compensation and benefits, driven by lower deferred compensation expense from prior-year awards, lower salary expenses, reflecting lower headcount, and lower discretionary performance-related compensation expense. In non-strategic businesses, total operating expenses of CHF 2,094 million decreased 4% from 2011, primarily due to lower compensation and benefits.

The **Core Results effective tax rate** was 24.6% in 2012, compared to 23.8% in 2011. The effective tax rate for full-year 2012 was mainly impacted by the geographical mix of results, an increase and a re-assessment in deferred tax balances in Switzerland and the release of tax contingency accruals. The effective tax rate also reflected changes in valuation allowances against deferred tax assets in the US, the UK and Asia. In addition, the tax charge was negatively influenced by the impact of the change in UK corporation tax from 25% to 23%. Overall, net deferred tax assets decreased CHF 1,538 million to CHF 6,972 million during 2012.

‣ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

## Core Results reporting by region

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Net revenues (CHF million)** | | | | | |
| Switzerland | 7,224 | 7,400 | 7,539 | (2) | (2) |
| EMEA | 6,180 | 6,737 | 6,520 | (8) | 3 |
| Americas | 9,567 | 9,507 | 7,272 | 1 | 31 |
| Asia Pacific | 3,036 | 2,388 | 2,526 | 27 | (5) |
| Corporate Center | (790) | (2,781) | 1,238 | (72) | – |
| **Net revenues** | **25,217** | **23,251** | **25,095** | 8 | (7) |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Switzerland | 2,463 | 2,544 | 2,407 | (3) | 6 |
| EMEA | 641 | 872 | 44 | (26) | – |
| Americas | 1,085 | 2,512 | 6 | (57) | – |
| Asia Pacific | 770 | (151) | (89) | – | 70 |
| Corporate Center | (1,455) | (3,889) | 391 | (63) | – |
| **Income from continuing operations before taxes** | **3,504** | **1,888** | **2,759** | 86 | (32) |

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

## INFORMATION AND DEVELOPMENTS

### Key performance indicators

Our historical key performance indicators (KPIs) are provided in the table below. We assess our KPIs as part of our normal planning process and, beginning in the first quarter of 2013, we adjusted our KPIs for the Group and for our Private Banking & Wealth Management and Investment Banking divisions to reflect our strategic plan, the regulatory environment and the market cycle.

For the Group, we replaced the previous Core Results pre-tax income margin KPI with a Core Results cost/income ratio target of below 70%, and maintained a return on equity attributable to shareholders target of above 15%. Our capital measures continue to be based on compliance with Swiss "Too Big to Fail" and Basel III capital standards, and we target a Look-through Swiss Core Capital ratio above 10%. Our KPIs for collaboration revenues and total shareholder return are unchanged.

In our Private Banking & Wealth Management division, the KPI for net new asset growth of 6% is now measured at both the Wealth Management Clients and the Asset Management business levels instead of solely at the division level. For the division we replaced the pre-tax income margin KPI with a cost/income ratio of 65%.

In our Investment Banking division, we replaced the pre-tax income margin KPI with a cost/income ratio target of 70%.

From the first quarter of 2013 to the third quarter of 2013, income statement-based KPIs were measured in the related quarterly reports on underlying results, which are non-GAAP financial measures that excluded valuation impacts from movements in own credit spreads and certain other significant items. With the revised presentation of strategic and non-strategic results for the Group introduced in the fourth quarter of 2013, our stated KPIs are measured on the basis of reported results as they were in 2012. We believe the execution of our strategic initiatives, including the run-off of non-strategic operations, will enable us to achieve our targets over a three to five year period across market cycles. Prior periods have been restated to conform to the current presentation.

#### Collaboration revenues

Beginning in the second quarter of 2013, collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction.

Additionally, within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand. Prior period measures of collaboration revenues were not materially impacted by this change and have not been restated. Collaboration revenues are measured by a dedicated governance structure and implemented through an internal revenue sharing structure. Only the net revenues generated by a transaction are considered. Position risk related to trading revenues, private equity and other investment-related gains, valuation adjustments and centrally managed treasury revenues are not included in collaboration revenues.

### Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

| in / end of | Target | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Collaboration revenues | 18–20% of net revenues | 17.7 | 18.6 | 16.8 |
| **Efficiency and performance (%)** | | | | |
| Total shareholder return (Credit Suisse) [1] | Superior return vs peer group | 26.0 | 4.8 | (39.4) |
| Total shareholder return of peer group [1, 2] | – | 26.7 | 49.2 | (35.0) |
| Return on equity attributable to shareholders | Above 15% | 5.7 | 3.9 | 6.0 |
| Core Results cost/income ratio | Below 70% | 85.4 | 91.1 | 88.3 |
| **Capital (%)** | | | | |
| Look-through Swiss Core Capital ratio | Above 10% | 10.6 | 9.0 | – |

[1] Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value as of the beginning of the period.
[2] The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JPMorgan Chase, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.

## Overview of Core Results

| in / end of | Private Banking & Wealth Management 2013 | 2012 | 2011 | Investment Banking 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **13,442** | **13,474** | **13,397** | **12,565** | **12,558** | **10,460** |
| **Provision for credit losses** | **152** | **182** | **111** | **13** | **(12)** | **76** |
| Compensation and benefits | 5,331 | 5,561 | 5,729 | 5,435 | 6,070 | 6,471 |
| General and administrative expenses | 3,914 | 3,209 | 3,806 | 4,477 | 3,551 | 3,388 |
| Commission expenses | 805 | 747 | 790 | 921 | 947 | 1,118 |
| Total other operating expenses | 4,719 | 3,956 | 4,596 | 5,398 | 4,498 | 4,506 |
| **Total operating expenses** | **10,050** | **9,517** | **10,325** | **10,833** | **10,568** | **10,977** |
| **Income/(loss) from continuing operations before taxes** | **3,240** | **3,775** | **2,961** | **1,719** | **2,002** | **(593)** |
| Income tax expense | – | – | – | – | – | – |
| **Income from continuing operations** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income/(loss) from discontinued operations | – | – | – | – | – | – |
| **Net income** | **–** | **–** | **–** | **–** | **–** | **–** |
| Net income attributable to noncontrolling interests | – | – | – | – | – | – |
| **Net income attributable to shareholders** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on Basel III capital | 24.2 | 29.0 | – | 7.5 | 7.8 | – |
| Cost/income ratio | 74.8 | 70.6 | 77.1 | 86.2 | 84.2 | 104.9 |
| Pre-tax income margin | 24.1 | 28.0 | 22.1 | 13.7 | 15.9 | (5.7) |
| Effective tax rate | – | – | – | – | – | – |
| Net income margin | – | – | – | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | | |
| Basel III risk-weighted assets [3] | 94,395 | 96,009 | – | 156,402 | 171,511 | – |
| Total assets | 279,139 | 275,683 | 283,582 | 502,799 | 563,758 | 641,266 |
| Swiss leverage exposure | 324,483 | – | – | 722,500 | – | – |
| Net loans | 215,713 | 207,702 | 196,268 | 31,319 | 34,501 | 37,134 |
| Goodwill | 2,164 | 2,409 | 2,471 | 5,835 | 5,980 | 6,120 |

[1] Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI.
[2] Calculated using income after tax denominated in CHF; assumes tax rate of 27% (28% for strategic results) in 2013, 25% in 2012 and capital allocated at 10% of average risk-weighted assets.
[3] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized six month 2011 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the expected future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the creation of the integrated Private Banking & Wealth Management division, exiting a number of small non-strategic markets, repositioning select non-profitable onshore operations, rationalization of front office and support functions, including simplification of our operating platform, streamlining of the offshore affluent and Swiss client coverage model and from announced divestitures.

| Corporate Center | | | Core Results [1] | | | of which strategic results | | | of which non-strategic results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| | | | | | | | | | | | |
| **(790)** | **(2,781)** | **1,238** | **25,217** | **23,251** | **25,095** | **25,543** | **25,493** | **23,454** | **(326)** | **(2,242)** | **1,641** |
| **2** | **0** | **0** | **167** | **170** | **187** | **95** | **127** | **105** | **72** | **43** | **82** |
| 455 | 636 | 739 | 11,221 | 12,267 | 12,939 | 10,506 | 11,215 | 11,744 | 715 | 1,052 | 1,195 |
| 196 | 464 | 77 | 8,587 | 7,224 | 7,271 | 6,128 | 6,239 | 6,296 | 2,459 | 985 | 975 |
| 12 | 8 | 31 | 1,738 | 1,702 | 1,939 | 1,682 | 1,645 | 1,921 | 56 | 57 | 18 |
| 208 | 472 | 108 | 10,325 | 8,926 | 9,210 | 7,810 | 7,884 | 8,217 | 2,515 | 1,042 | 993 |
| **663** | **1,108** | **847** | **21,546** | **21,193** | **22,149** | **18,316** | **19,099** | **19,961** | **3,230** | **2,094** | **2,188** |
| **(1,455)** | **(3,889)** | **391** | **3,504** | **1,888** | **2,759** | **7,132** | **6,267** | **3,388** | **(3,628)** | **(4,379)** | **(629)** |
| – | – | – | 1,276 | 465 | 656 | 2,020 | 1,437 | 587 | (744) | (972) | 69 |
| **–** | **–** | **–** | **2,228** | **1,423** | **2,103** | **5,112** | **4,830** | **2,801** | **(2,884)** | **(3,407)** | **(698)** |
| – | – | – | 145 | (40) | (25) | 0 | 0 | 0 | 145 | (40) | (25) |
| **–** | **–** | **–** | **2,373** | **1,383** | **2,078** | **5,112** | **4,830** | **2,801** | **(2,739)** | **(3,447)** | **(723)** |
| – | – | – | 47 | 34 | 125 | 47 | 34 | 125 | 0 | 0 | 0 |
| **–** | **–** | **–** | **2,326** | **1,349** | **1,953** | **5,065** | **4,796** | **2,676** | **(2,739)** | **(3,447)** | **(723)** |
| | | | | | | | | | | | |
| | | | 9.2 [2] | 4.6 [2] | – | 20.4 [2] | 17.4 [2] | – | – | – | – |
| – | – | – | 85.4 | 91.1 | 88.3 | 71.7 | 74.9 | 85.1 | – | – | – |
| – | – | – | 13.9 | 8.1 | 11.0 | 27.9 | 24.6 | 14.4 | – | – | – |
| – | – | – | 36.4 | 24.6 | 23.8 | 28.3 | 22.9 | 17.3 | – | – | – |
| – | – | – | 9.2 | 5.8 | 7.8 | 19.8 | 18.8 | 11.4 | – | – | – |
| | | | | | | | | | | | |
| 15,306 | 16,590 | – | 266,103 | 284,110 | – | 242,475 | 255,130 | – | 23,628 | 28,980 | – |
| 87,244 | 80,733 | 119,568 | 869,182 | 920,174 | 1,044,416 | 821,207 | 862,101 | 978,142 | 47,975 | 58,073 | 66,274 |
| 83,622 | – | – | 1,130,605 | – | – | 1,031,316 | – | – | 99,289 | – | – |
| 22 | 20 | 11 | 247,054 | 242,223 | 233,413 | – | – | – | – | – | – |
| – | – | – | 7,999 | 8,389 | 8,591 | – | – | – | – | – | – |

Within Investment Banking, we expect to deliver cost benefits from the restructuring of our rates business, the initiatives already completed in 2012, from continuing to review and realize efficiencies across business lines and geographic regions and from continuing to refine our business mix and align resources with highest returning opportunities.

We expect to incur approximately CHF 1.4 billion of business realignment costs associated with these measures during the course of 2014 to 2015.

We incurred CHF 394 million of business realignment costs associated with these measures in 2013.

As of the end of 2013, total assets for the Group were CHF 872.8 billion, down CHF 51.5 billion, or 6%, from 2012, reflecting measures taken in connection with our announced balance sheet reduction initiative and the foreign exchange translation impact.

▸ Refer to “Strategy” in I – Information on the company for further information.

### Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component. The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense (which is generally based on fair value at the time of grant) reduces equity; however, the recognition of the obligation to deliver the shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards and from the settlement of these awards through the issuance of shares from approved conditional capital. The Group issues shares from conditional capital to meet its obligations to deliver share-based compensation awards. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at settlement of share-based awards.

#### Variable compensation for 2013

Part of deferred compensation for 2013 was awarded in the form of Contingent Capital Awards (CCA). The CCA plan is a new deferred compensation plan for Executive Board members, managing directors and directors. These awards convey similar rights and risks to those of certain of the contingent capital instruments that have been issued by us in the market. As CCA qualify as additional tier 1 capital of the Group, their vesting and the form of distribution to employees upon settlement is subject to approval by FINMA. Prior to settlement, CCA are subject to being cancelled in full upon specified triggering events, including the Group's Basel III common equity tier 1 (CET1) ratio falling below specified levels, or a determination by FINMA that cancellation of the CCA and other similar capital instruments is necessary, or that we require public sector capital support, to prevent us from becoming insolvent.

‣ Refer to "Compensation" in IV – Corporate Governance and Compensation for further information.

‣ Refer to "Consolidated statements of changes in equity" and "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

‣ Refer to "Tax benefits associated with share-based compensation" in Note 27 – Tax in V – Consolidated financial statements – Credit Suisse Group for further information.

### Personnel

Headcount at the end of 2013 was 46,000, down 1,400 from the end of 2012. This reflected reductions in headcount of 2,000 employees in connection with our cost efficiency initiatives in Investment Banking and Private Banking & Wealth Management, partially offset by graduate hiring and contractor employee conversion. Compared to year-end 2011, headcount decreased 3,700.

‣ Refer to "Overview" in IV – Corporate Governance and Compensation – Corporate Governance for additional information on personnel.

# Private Banking & Wealth Management

For 2013, we reported income before taxes of CHF 3,240 million and net revenues of CHF 13,442 million.

In our strategic businesses, we reported income before taxes of CHF 3,627 million and net revenues of CHF 12,434 million. Compared to 2012, income before taxes increased 7%, with higher transaction- and performance-based revenues, higher recurring commissions and fees, lower net interest income and stable operating expenses.

In our non-strategic businesses, we reported a loss before taxes of CHF 387 million in 2013, including litigation provisions in connection with the US tax matter, partially offset by gains from the sale of former Asset Management businesses. In 2012, we reported income before taxes of CHF 401 million, which included gains from the sale of former Asset Management businesses.

## Divisional results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **13,442** | **13,474** | **13,397** | 0 | 1 |
| of which strategic results | 12,434 | 12,343 | 12,431 | 1 | (1) |
| of which non-strategic results | 1,008 | 1,131 | 966 | (11) | 17 |
| **Provision for credit losses** | **152** | **182** | **111** | (16) | 64 |
| Compensation and benefits | 5,331 | 5,561 | 5,729 | (4) | (3) |
| General and administrative expenses | 3,914 | 3,209 | 3,806 | 22 | (16) |
| Commission expenses | 805 | 747 | 790 | 8 | (5) |
| Total other operating expenses | 4,719 | 3,956 | 4,596 | 19 | (14) |
| **Total operating expenses** | **10,050** | **9,517** | **10,325** | 6 | (8) |
| of which strategic results | 8,725 | 8,830 | 9,366 | (1) | (6) |
| of which non-strategic results | 1,325 | 687 | 959 | 93 | (28) |
| **Income/(loss) before taxes** | **3,240** | **3,775** | **2,961** | (14) | 27 |
| of which strategic results | 3,627 | 3,374 | 2,992 | 7 | 13 |
| of which non-strategic results | (387) | 401 | (31) | – | – |
| **Statement of operations metrics (%)** | | | | | |
| Return on Basel III capital [1] | 24.2 | 29.0 | – | – | – |
| Cost/income ratio | 74.8 | 70.6 | 77.1 | – | – |
| Pre-tax income margin | 24.1 | 28.0 | 22.1 | – | – |
| **Utilized economic capital and return** | | | | | |
| Average utilized economic capital (CHF million) | 9,554 | 9,965 | 10,054 | (4) | (1) |
| Pre-tax return on average utilized economic capital (%) [2] | 34.5 | 38.5 | 30.1 | – | – |
| **Assets under management (CHF billion)** | | | | | |
| Assets under management | 1,282.4 | 1,250.8 | 1,185.2 | 2.5 | 5.5 |
| Net new assets | 32.1 | 10.8 | 46.6 | 197.2 | (76.8) |
| **Number of employees and relationship managers** | | | | | |
| Number of employees (full-time equivalents) | 26,000 | 27,300 | 28,100 | (5) | (3) |
| Number of relationship managers | 4,330 | 4,550 | 4,560 | (5) | 0 |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 29% in 2013, 25% in 2012 and capital allocated at 10% of average risk-weighted assets.
[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 4,252 | 4,551 | 4,512 | (7) | 1 |
| Recurring commissions and fees | 4,956 | 4,797 | 5,018 | 3 | (4) |
| Transaction- and performance-based revenues | 3,967 | 3,678 | 3,607 | 8 | 2 |
| Other revenues [1] | 267 | 448 | 260 | (40) | 72 |
| **Net revenues** | **13,442** | **13,474** | **13,397** | 0 | 1 |
| **Provision for credit losses (CHF million)** | | | | | |
| New provisions | 281 | 316 | 277 | (11) | 14 |
| Releases of provisions | (129) | (134) | (166) | (4) | (19) |
| **Provision for credit losses** | **152** | **182** | **111** | (16) | 64 |
| **Balance sheet statistics (CHF million)** | | | | | |
| **Net loans** | **215,713** | **207,702** | **196,268** | 4 | 6 |
| of which Wealth Management Clients | 149,728 | 144,856 | 137,389 | 3 | 5 |
| of which Corporate & Institutional Clients | 62,446 | 58,877 | 54,807 | 6 | 7 |
| **Deposits** | **288,770** | **276,571** | **262,985** | 4 | 5 |
| of which Wealth Management Clients | 208,210 | 203,376 | 195,542 | 2 | 4 |
| of which Corporate & Institutional Clients | 74,459 | 65,849 | 59,604 | 13 | 10 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

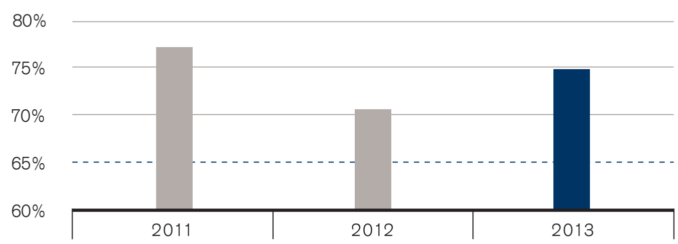
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 2013, the cost/income ratio was 74.8%, up four percentage points compared to 2012 and down two percentage points compared to 2011. The cost/income ratio for our strategic results was 70.2% in 2013, down one percentage point compared to 2012 and down five percentage points compared to 2011.

We also target net new asset growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 2013, the growth rates in Wealth Management Clients and Asset Management were 2.5% and 4.6%, respectively.

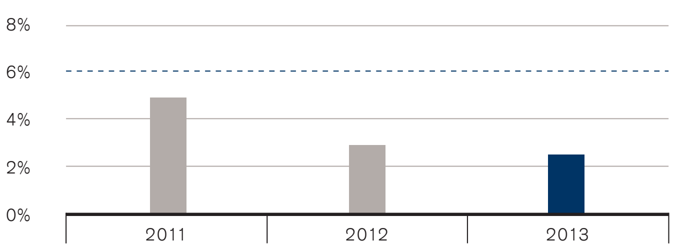
▸ Refer to “Key performance indicators” in Core Results – Information and developments for further information.

**Cost/income ratio (KPI)**
Private Banking & Wealth Management



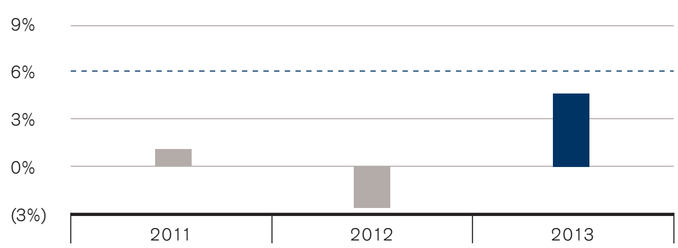

--- Target is a cost/income ratio of 65%.

**Net new asset growth rate (KPI)**
Wealth Management Clients




--- Target is a growth rate of 6%.

**Net new asset growth rate (KPI)**
Asset Management




--- Target is a growth rate of 6%.

### Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Private Banking & Wealth Management | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **12,434** | **12,343** | **12,431** | **1,008** | **1,131** | **966** | **13,442** | **13,474** | **13,397** |
| **Provision for credit losses** | **82** | **139** | **73** | **70** | **43** | **38** | **152** | **182** | **111** |
| Compensation and benefits | 5,027 | 5,186 | 5,350 | 304 | 375 | 379 | 5,331 | 5,561 | 5,729 |
| Total other operating expenses | 3,698 | 3,644 | 4,016 | 1,021 | 312 | 580 | 4,719 | 3,956 | 4,596 |
| **Total operating expenses** | **8,725** | **8,830** | **9,366** | **1,325** | **687** | **959** | **10,050** | **9,517** | **10,325** |
| **Income/(loss) before taxes** | **3,627** | **3,374** | **2,992** | **(387)** | **401** | **(31)** | **3,240** | **3,775** | **2,961** |
| **Balance sheet statistics (CHF billion)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 88,316 | 88,281 | – | 6,079 | 7,728 | – | 94,395 | 96,009 | – |
| Total assets | 258,447 | 251,716 | 257,894 | 20,692 | 23,967 | 25,688 | 279,139 | 275,683 | 283,582 |
| Swiss leverage exposure | 302,894 | – | – | 21,589 | – | – | 324,483 | – | – |

# Strategic results

## OVERVIEW

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

### Full-year 2013 results

In 2013, our strategic businesses reported income before taxes of CHF 3,627 million and net revenues of CHF 12,434 million.

Net revenues were stable compared to 2012, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and lower other revenues. Higher transaction- and performance-based revenues reflected higher revenues across all major revenue categories. Higher recurring commissions and fees mainly reflected higher investment account and service fees as well as higher asset management fees. Lower net interest income mainly reflected lower deposit margins, partially offset by higher average deposit and loan volumes. Other revenues were lower compared to 2012, mainly reflecting lower investment-related gains and lower equity participation gains, reflecting the gain of CHF 45 million on the sale of Wincasa in 2012.

Provision for credit losses was CHF 82 million in 2013, compared to CHF 139 million in 2012, on a net loan portfolio of CHF 212 billion.

Total operating expenses were stable compared to 2012, reflecting slightly lower compensation and benefits offset by higher commission expenses.

### Full-year 2012 results

In 2012, our strategic businesses reported income before taxes of CHF 3,374 million and net revenues of CHF 12,343 million.

Net revenues were stable compared to 2011, with 5% lower recurring commissions and fees offset by slightly higher transaction- and performance-based revenues and higher other revenues.

Provision for credit losses was CHF 139 million in 2012, compared to CHF 73 million in 2011, on a net loan portfolio of CHF 204 billion.

Total operating expenses were 6% lower compared to 2012, reflecting lower general and administrative expenses and lower compensation and benefits from our efficiency measures and lower headcount.

## Strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| Net interest income | 4,155 | 4,438 | 4,397 | (6) | 1 |
| Recurring commissions and fees | 4,554 | 4,329 | 4,558 | 5 | (5) |
| Transaction- and performance-based revenues | 3,818 | 3,482 | 3,400 | 10 | 2 |
| Other revenues | (93) | 94 | 76 | – | 24 |
| **Net revenues** | **12,434** | **12,343** | **12,431** | 1 | (1) |
| New provisions | 210 | 274 | 239 | (23) | 15 |
| Releases of provisions | (128) | (135) | (166) | (5) | (19) |
| **Provision for credit losses** | **82** | **139** | **73** | (41) | 90 |
| Compensation and benefits | 5,027 | 5,186 | 5,350 | (3) | (3) |
| General and administrative expenses | 2,938 | 2,963 | 3,261 | (1) | (9) |
| Commission expenses | 760 | 681 | 755 | 12 | (10) |
| Total other operating expenses | 3,698 | 3,644 | 4,016 | 1 | (9) |
| **Total operating expenses** | **8,725** | **8,830** | **9,366** | (1) | (6) |
| **Income before taxes** | **3,627** | **3,374** | **2,992** | 7 | 13 |
| of which Wealth Management Clients | 2,050 | 1,971 | 1,676 | 4 | 18 |
| of which Corporate & Institutional Clients | 965 | 941 | 923 | 3 | 2 |
| of which Asset Management | 612 | 462 | 393 | 32 | 18 |
| **Statement of operations metrics (%)** | | | | | |
| Return on Basel III capital [1] | 29.1 | 28.2 | – | – | – |
| Cost/income ratio | 70.2 | 71.5 | 75.3 | – | – |
| Pre-tax income margin | 29.2 | 27.3 | 24.1 | – | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 88,316 [2] | 88,281 | – | 0 | – |
| Total assets | 258,447 | 251,716 | 257,894 | 3 | (2) |
| Swiss leverage exposure | 302,894 | – | – | – | – |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 29% in 2013, 25% in 2012 and capital allocated at 10% of average risk-weighted assets.
[2] Includes the impact of an operational risk add-on of CHF 1.6 billion in 2013.

## RESULTS DETAIL

The following provides a comparison of our 2013 strategic results versus 2012 and 2012 results versus 2011.

### Net revenues

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

**2013 vs 2012: Stable at CHF 12,434 million**

Net revenues were stable, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and lower other revenues. Higher transaction- and performance-based revenues reflected higher revenues across all major revenue categories, primarily higher performance fees and carried interest as well as higher brokerage and product issuing fees. Higher recurring commissions and fees mainly reflected higher investment account and service fees as well as higher asset management fees. Lower net interest income reflected significantly lower deposit margins and stable loan margins on higher average deposit and loan volumes. Other revenues decreased mainly due to a decrease in investment-related gains as well as equity participations gains, mainly due to a gain of CHF 45 million in 2012 from the sale of Wincasa.

**2012 vs 2011: Stable at CHF 12,343 million**

Net revenues were stable, with lower recurring commissions and fees offset by slightly higher transaction- and performance-based revenues and higher other revenues. Net interest income was stable. Lower recurring commissions and fees mainly reflected lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees. Transaction- and performance-based revenues were slightly higher with higher performance fees from our Hedging-Griffo subsidiary, single manager hedge funds and credit strategies, higher revenues from integrated solutions, partially offset by lower brokerage and product issuing fees. Other revenues of CHF 94 million mainly reflected a gain of CHF 45 million from the sale of Wincasa and a CHF 41 million gain related to the sale of a business, with higher investment-related gains offset by impairment charges of CHF 61 million related to Asset Management Finance LLC (AMF). Net interest income was stable, as the impact of lower deposit margins, reflecting the continued low interest rate environment, and lower loan margins were offset by higher average deposit and loan volumes.

### Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

**2013 vs 2012: Down 41% from CHF 139 million to CHF 82 million**

Provision for credit losses of CHF 82 million was down CHF 57 million compared to 2012. Provision for credit losses reflected net provisions of CHF 78 million in Wealth Management Clients and CHF 4 million in Corporate & Institutional Clients.

**2012 vs 2011: Up 90% from CHF 73 million to CHF 139 million**

Provision for credit losses of CHF 139 million was up CHF 66 million compared to 2011. Provision for credit losses reflected net provisions of CHF 110 million in Wealth Management Clients and CHF 29 million in Corporate & Institutional Clients.

### Operating expenses

#### Compensation and benefits

**2013 vs 2012: Down 3% from CHF 5,186 million to CHF 5,027 million**

Compensation and benefits decreased slightly, driven by lower salary expenses, reflecting lower headcount.

**2012 vs 2011: Down 3% from CHF 5,350 million to CHF 5,186 million**

Compensation and benefits decreased slightly, driven by lower salary expenses, reflecting lower headcount, and lower discretionary performance-related compensation.

#### General and administrative expenses

**2013 vs 2012: Stable at CHF 2,938 million**

General and administrative expenses were stable and included higher expense provisions, higher professional services and lower travel and entertainment expenses.

**2012 vs 2011: Down 9% from CHF 3,261 million to CHF 2,963 million**

Lower general and administrative expenses reflected our cost efficiency measures.

## WEALTH MANAGEMENT CLIENTS

### Net revenues

#### Net interest income

**2013 vs 2012: Down 7% from CHF 3,268 million to CHF 3,050 million**

The decrease in net interest income reflected significantly lower deposit margins on slightly higher average deposit volumes and slightly lower loan margins on higher average loan volumes.

**2012 vs 2011: Stable at CHF 3,268 million**

Stable net interest income reflected lower deposit and loan margins on higher average deposit and loan volumes.

#### Recurring commissions and fees

**2013 vs 2012: Up 5% from CHF 2,811 million to CHF 2,956 million**

The increase reflected higher revenues across all major revenue categories, primarily higher investment account and services fees, driven by higher investment advisory fees as well as higher security account fees.

**2012 vs 2011: Down 7% from CHF 3,030 million to CHF 2,811 million**

The decrease reflected lower revenues across all major revenue categories, primarily lower investment product management fees, driven by lower fund management fees, and lower discretionary mandate management fees.

#### Transaction- and performance-based revenues

**2013 vs 2012: Up 4% from CHF 2,355 million to CHF 2,438 million**

Higher transaction- and performance-based revenues reflected higher brokerage and product issuing fees, primarily in equities and funds, higher equity participations income as well as higher foreign exchange client business.

**2012 vs 2011: Stable at CHF 2,355 million**

Stable transaction- and performance-based revenues reflected lower brokerage and product issuing fees, primarily in equities and mutual funds, and lower foreign exchange client business, offset by gains of CHF 16 million in 2012 related to a change in life insurance accounting, higher performance fees from Hedging-Griffo and higher revenues from integrated solutions.

## Results – Wealth Management Clients

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **8,444** | **8,475** | **8,641** | 0 | (2) |
| **Provision for credit losses** | **78** | **110** | **76** | (29) | 45 |
| **Total operating expenses** | **6,316** | **6,394** | **6,889** | (1) | (7) |
| **Income before taxes** | **2,050** | **1,971** | **1,676** | 4 | 18 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 74.8 | 75.4 | 79.7 | – | – |
| Pre-tax income margin | 24.3 | 23.3 | 19.4 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 3,050 | 3,268 | 3,245 | (7) | 1 |
| Recurring commissions and fees | 2,956 | 2,811 | 3,030 | 5 | (7) |
| Transaction- and performance-based revenues | 2,438 | 2,355 | 2,366 | 4 | 0 |
| Other revenues | 0 | 41 [1] | 0 | (100) | – |
| **Net revenues** | **8,444** | **8,475** | **8,641** | 0 | (2) |
| **Gross margin on assets under management (bp)** [2] | | | | | |
| Net interest income | 38 | 44 | 46 | – | – |
| Recurring commissions and fees | 38 | 38 | 43 | – | – |
| Transaction- and performance-based revenues | 31 | 32 | 33 | – | – |
| Other revenues | 0 | 0 | 0 | – | – |
| **Gross margin** | **107** | **114** | **122** | – | – |

[1] Reflects gains related to the sale of a business from the integration of Clariden Leu in 2012.
[2] Net revenues divided by average assets under management.

### Gross margin

Our gross margin was 107 basis points in 2013, seven basis points lower compared to 2012 and 15 basis points lower than 2011. Compared to 2012, the net interest income margin decreased six basis points due to the low interest rate environment. The recurring commissions and fees margin was stable. The transaction- and performance-based margin decreased one basis point, reflecting the increase in average assets under management more than offsetting higher transaction- and performance-based revenues.

## Relationship managers by region

| end of | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Number of relationship managers** | | | |
| Switzerland | 1,590 | 1,630 | 1,730 |
| EMEA | 1,180 | 1,300 | 1,320 |
| Americas | 560 | 620 | 590 |
| Asia Pacific | 440 | 440 | 400 |
| **Number of relationship managers** | **3,770** | **3,990** | **4,040** |

## Assets under management – Wealth Management Clients

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Assets under management by region (CHF billion)** | | | | | |
| Switzerland | 270.9 | 243.5 | 248.7 | 11.3 | (2.1) |
| EMEA | 231.3 | 243.2 | 230.2 | (4.9) | 5.6 |
| Americas | 172.9 | 164.5 | 142.9 | 5.1 | 15.1 |
| Asia Pacific | 115.6 | 106.8 | 87.8 | 8.2 | 21.6 |
| **Assets under management** | **790.7** | **758.0** | **709.6** | 4.3 | 6.8 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 788.2 | 741.2 | 706.4 | 6.3 | 4.9 |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 306.1 | 286.4 | 259.3 | 6.9 | 10.5 |
| EUR | 152.6 | 149.0 | 157.5 | 2.4 | (5.4) |
| CHF | 187.1 | 184.6 | 173.5 | 1.4 | 6.4 |
| Other | 144.9 | 138.0 | 119.3 | 5.0 | 15.7 |
| **Assets under management** | **790.7** | **758.0** | **709.6** | 4.3 | 6.8 |
| **Net new assets by region (CHF billion)** | | | | | |
| Switzerland | 0.9 | 2.3 | 4.7 | (60.9) | (51.1) |
| EMEA | 1.8 | (2.0) | 11.6 | – | – |
| Americas | 4.7 | 10.2 | 8.4 | (53.9) | 21.4 |
| Asia Pacific | 11.5 | 10.1 | 10.4 | 13.9 | (2.9) |
| **Net new assets** | **18.9** | **20.6** | **35.1** | (8.3) | (41.3) |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets | 18.9 | 20.6 | 35.1 | – | – |
| Other effects | 13.8 | 27.9 | (48.8) | – | – |
| of which market movements | 40.2 | 47.4 | (34.7) | – | – |
| of which currency | (17.6) | (12.4) | (7.3) | – | – |
| of which other | (8.8) | (7.1) | (6.8) | – | – |
| **Growth in assets under management** | **32.7** | **48.5** | **(13.7)** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | 2.5 | 2.9 | 4.9 | – | – |
| Other effects | 1.8 | 3.9 | (6.8) | – | – |
| **Growth in assets under management** | **4.3** | **6.8** | **(1.9)** | – | – |

# CORPORATE & INSTITUTIONAL CLIENTS

## Net revenues

### Net interest income

**2013 vs 2012: Down 6% from CHF 1,170 million to CHF 1,105 million**

The decrease reflected significantly lower deposit margins and higher loan margins on higher average deposit and loan volumes.

**2012 vs 2011: Up 2% from CHF 1,152 million to CHF 1,170 million**

The slight increase reflected lower deposit and loan margins on higher average deposit and loan volumes.

### Recurring commissions and fees

**2013 vs 2012: Stable at CHF 451 million**

Recurring commissions and fees were stable. Higher investment account and services fees, primarily from custody services, were offset by lower investment product management fees, mainly from lower funds management fees.

**2012 vs 2011: Up 6% from CHF 422 million to CHF 448 million**

The increase was driven by higher banking services fees and higher investment account and services fees, primarily from custody services, partially offset by lower investment product management fees, mainly from lower fund management fees.

### Transaction- and performance-based revenues

**2013 vs 2012: Stable at CHF 455 million**

Stable transaction- and performance-based revenues reflected higher foreign exchange client business, offset by lower revenues from integrated solutions and lower trading and sales income.

**2012 vs 2011: Stable at CHF 457 million**

Stable transaction- and performance-based revenues reflected higher revenues from integrated solutions, higher trading and sales income and higher foreign exchange client business, offset by lower brokerage and product issuing fees.

## Results – Corporate & Institutional Clients

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,996** | **2,064** | **2,017** | (3) | 2 |
| **Provision for credit losses** | **4** | **29** | **(3)** | (86) | – |
| **Total operating expenses** | **1,027** | **1,094** | **1,097** | (6) | 0 |
| **Income before taxes** | **965** | **941** | **923** | 3 | 2 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 51.5 | 53.0 | 54.4 | – | – |
| Pre-tax income margin | 48.3 | 45.6 | 45.8 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Net interest income | 1,105 | 1,170 | 1,152 | (6) | 2 |
| Recurring commissions and fees | 451 | 448 | 422 | 1 | 6 |
| Transaction- and performance-based revenues | 455 | 457 | 460 | 0 | (1) |
| Other revenues [1] | (15) | (11) | (17) | 36 | (35) |
| **Net revenues** | **1,996** | **2,064** | **2,017** | (3) | 2 |
| **Number of relationship managers** | | | | | |
| Number of relationship managers (Switzerland) | 560 | 560 | 520 | 0 | 8 |

[1] Includes fair value losses of CHF 35 million on the Clock Finance transaction and gains of CHF 25 million related to a recovery case in 2012. Prior periods relate to fair value losses on the Clock Finance transaction.

## ASSET MANAGEMENT

### Net revenues

#### Fee-based revenues

**2013 vs 2012: Up 20% from CHF 1,675 million to CHF 2,017 million**

The increase primarily reflected higher performance fees, asset management fees and private equity placement fees. Higher performance fees were recognized primarily from single manager hedge funds and Hedging-Griffo. The higher asset management fees, primarily in our alternatives business, reflected higher average assets under management driven in part by net new assets of CHF 15.0 billion for the year.

**2012 vs 2011: Up 4% from CHF 1,618 million to CHF 1,675 million**

The increase primarily reflected higher performance fees, partially offset by lower carried interest from realized private equity gains, lower placement fees, lower transaction fees and lower asset management fees. Higher performance fees were recognized from Hedging-Griffo, credit strategies, single manager hedge funds and from the management of the 2008 Partner Asset Facility. Carried interest from realized private equity gains in 2012 was lower than a strong 2011, which included the sale of a portfolio company in the healthcare sector. The decrease in placement, transaction and other fees mainly reflected lower private equity placement fees and lower real estate transaction fees. Asset management fees decreased as a result of lower average assets under management in traditional products.

### Results – Asset Management

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,994** | **1,804** | **1,773** | 11 | 2 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **1,382** | **1,342** | **1,380** | 3 | (3) |
| **Income before taxes** | **612** | **462** | **393** | 32 | 18 |
| **Statement of operations metrics (%)** | | | | | |
| Cost/income ratio | 69.3 | 74.4 | 77.8 | – | – |
| Pre-tax income margin | 30.7 | 25.6 | 22.2 | – | – |
| **Net revenue detail (CHF million)** | | | | | |
| Recurring commissions and fees | 1,147 | 1,070 | 1,106 | 7 | (3) |
| Transaction- and performance-based revenues | 925 | 670 | 574 | 38 | 17 |
| Other revenues | (78) | 64 | 93 | – | (31) |
| **Net revenues** | **1,994** | **1,804** | **1,773** | 11 | 2 |
| **Net revenue detail by type (CHF million)** | | | | | |
| Asset management fees | 1,147 | 1,070 | 1,106 | 7 | (3) |
| Placement, transaction and other fees | 284 | 223 | 265 | 27 | (16) |
| Performance fees and carried interest | 542 | 346 | 196 | 57 | 77 |
| Equity participations income | 44 | 36 | 51 | 22 | (29) |
| Fee-based revenues | 2,017 | 1,675 | 1,618 | 20 | 4 |
| Investment-related gains/(losses) | 52 | 139 | 87 | (63) | 60 |
| Equity participations and other gains/(losses) | (86) | (7) | (4) | – | – |
| Other revenues [1] | 11 | (3) | 72 | – | – |
| **Net revenues** | **1,994** | **1,804** | **1,773** | 11 | 2 |
| **Fee-based margin on assets under management (bp)** | | | | | |
| Fee-based margin [2] | 58 | 52 | 49 | – | – |

[1] Includes allocated funding costs.
[2] Fee-based revenues divided by average assets under management.

### Investment-related gains/(losses)

**2013 vs 2012: Down 63% from CHF 139 million to CHF 52 million**

The gains of CHF 52 million in 2013 and CHF 139 million in 2012 primarily reflected gains in hedge fund investments and the real estate sector.

**2012 vs 2011: Up 60% from CHF 87 million to CHF 139 million**

The gains of CHF 139 million in 2012 and CHF 87 million in 2011 primarily reflected gains in hedge fund investments and the real estate sector.

### Equity participations and other gains/(losses)

**2013 vs 2012: Down from CHF (7) million to CHF (86) million**

In 2013 we recognized impairments of CHF 86 million related to AMF. The loss of CHF 7 million in 2012 primarily reflected impairment charges of CHF 61 million related to AMF, partially offset by a gain of CHF 45 million from the sale of Wincasa.

**2012 vs 2011: Down from CHF (4) million to CHF (7) million**

The loss of CHF 7 million in 2012 primarily reflected impairment charges of CHF 61 million related to AMF, partially offset by the gain of CHF 45 million from the sale of Wincasa. The loss in 2011 reflected an impairment related to AMF.

## Assets under management – Asset Management

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Assets under management (CHF billion)** | | | | | |
| Hedge funds | 29.8 | 24.8 | 24.0 | 20.2 | 3.3 |
| Private equity | 0.6 | 0.4 | 0.2 | 50.0 | 100.0 |
| Real estate & commodities | 50.5 | 48.6 | 47.1 | 3.9 | 3.2 |
| Credit | 30.0 | 23.8 | 19.0 | 26.1 | 25.3 |
| Index strategies | 75.1 | 64.0 | 51.5 | 17.3 | 24.3 |
| Multi-asset class solutions | 104.0 | 103.1 | 113.5 | 0.9 | (9.2) |
| Fixed income & equities | 54.4 | 55.2 | 57.4 | (1.4) | (3.8) |
| Other | 7.9 | 5.4 | 6.3 | 46.3 | (14.3) |
| **Assets under management** [1] | **352.3** | **325.3** | **319.0** | 8.3 | 2.0 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 346.3 | 320.1 | 329.5 | 8.2 | (2.9) |
| **Assets under management by currency (CHF billion)** | | | | | |
| USD | 74.9 | 63.0 | 59.8 | 18.9 | 5.4 |
| EUR | 50.5 | 42.2 | 54.1 | 19.7 | (22.0) |
| CHF | 196.4 | 192.9 | 184.3 | 1.8 | 4.7 |
| Other | 30.5 | 27.2 | 20.8 | 12.1 | 30.8 |
| **Assets under management** | **352.3** | **325.3** | **319.0** | 8.3 | 2.0 |
| **Growth in assets under management (CHF billion)** | | | | | |
| Net new assets [2] | 15.0 | (8.3) | 3.8 | – | – |
| Other effects | 12.0 | 14.6 | (18.2) | – | – |
| of which market movements | 17.7 | 24.2 | (11.0) | – | – |
| of which currency | (5.5) | (4.6) | (3.1) | – | – |
| of which other | (0.2) | (5.0) | (4.1) | – | – |
| **Growth in assets under management** | **27.0** | **6.3** | **(14.4)** | – | – |
| **Growth in assets under management (%)** | | | | | |
| Net new assets | 4.6 | (2.6) | 1.1 | – | – |
| Other effects | 3.7 | 4.6 | (5.4) | – | – |
| **Growth in assets under management** | **8.3** | **2.0** | **(4.3)** | – | – |
| **Principal investments (CHF billion)** | | | | | |
| Principal investments | 0.9 | 1.1 | 1.3 | (18.2) | (15.4) |

[1] Excludes our portion of assets under management from our equity participation in Aberdeen.
[2] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.

# Non-strategic results

## OVERVIEW

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

### Full-year 2013 results

For 2013, our non-strategic businesses reported a loss before taxes of CHF 387 million compared to income before taxes of CHF 401 million in 2012.

Net revenues of CHF 1,008 million were 11% lower than the CHF 1,131 million reported in 2012, reflecting lower gains on sale of businesses and lower fee-based revenues resulting from those sales.

Provision for credit losses was CHF 70 million in 2013, compared to CHF 43 million in 2012, on a net loan portfolio of CHF 4 billion.

Total operating expenses in 2013 were higher than in 2012, mainly reflecting substantially higher litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014.

### Full-year 2012 results

For 2012, our non-strategic businesses reported income before taxes of CHF 401 million compared to a loss before taxes of CHF 31 million in 2011. Net revenues of CHF 1,131 million were significantly higher compared to 2011 due to the gain of CHF 384 million in 2012 on the sale of our ownership interest in Aberdeen.

Provision for credit losses was CHF 43 million in 2012, compared to CHF 38 million in 2011, on a net loan portfolio of CHF 4 billion.

Total operating expenses in 2012 were lower than in 2011, which included significant litigation provisions.

## Non-strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **1,008** | **1,131** | **966** | (11) | 17 |
| **Provision for credit losses** | **70** | **43** | **38** | 63 | 13 |
| Compensation and benefits | 304 | 375 | 379 | (19) | (1) |
| Total other operating expenses | 1,021 | 312 | 580 | 227 | (46) |
| **Total operating expenses** | **1,325** | **687** | **959** | 93 | (28) |
| **Income/(loss) before taxes** | **(387)** | **401** | **(31)** | – | – |
| **Revenue details (CHF million)** | | | | | |
| Restructuring of select onshore businesses | 164 | 148 | 160 | 11 | (8) |
| Legacy cross-border business and small markets | 203 | 209 | 205 | (3) | 2 |
| Restructuring of former Asset Management division | 534 | 659 | 523 | (19) | 26 |
| Other | 107 | 115 | 78 | (7) | 47 |
| **Net revenues** | **1,008** | **1,131** | **966** | (11) | 17 |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III | 6,079 | 7,728 | – | (21) | – |
| Total assets | 20,692 | 23,967 | 25,688 | (14) | (7) |
| Swiss leverage exposure | 21,589 | – | – | – | – |

## RESULTS DETAIL

The following provides a comparison of our 2013 non-strategic results versus 2012 and 2012 results versus 2011.

### Net revenues

**2013 vs 2012: Down 11% from CHF 1,131 million to CHF 1,008 million**

The decrease primarily reflected lower recurring commissions and fees and lower transaction- and performance-based revenues, reflecting the impact of sales of non-strategic businesses during 2013 and lower gains from sales of businesses, partially offset by significantly higher investment-related gains. We recognized gains of CHF 146 million on the sale of our ETF business, CHF 91 million on the sale of Strategic Partners, our secondary private equity business, and CHF 28 million from the sale of JO Hambro during the year, compared with a gain of CHF 384 million in 2012 from the sale of our remaining ownership interest in Aberdeen. Investment-related gains of CHF 128 million were significantly higher than the CHF 16 million recorded in 2012, which included losses of CHF 82 million in connection with the planned sale of certain private equity investments.

**2012 vs 2011: Up 17% from CHF 966 million to CHF 1,131 million**

The increase primarily reflected the gain from the sales of our ownership interest in Aberdeen, partially offset by significantly lower investment-related gains and lower equity participations income. Investment-related gains of CHF 16 million, including the losses in connection with the planned sale of the private equity investments, were significantly lower than the CHF 218 million recorded in 2011. Equity participations income was lower due to the sale of our ownership interest in Aberdeen.

### Operating expenses

**2013 vs 2012: Up 93% from CHF 687 million to CHF 1,325 million**

Higher operating expenses reflected substantially higher litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014. We also had higher professional services fees resulting from the sale of former Asset Management businesses, partially offset by lower commission and compensation expenses relating to the sales. We also recognized a goodwill impairment of CHF 12 million resulting from the creation of the non-strategic reporting unit in the fourth quarter of 2013.

**2012 vs 2011: Down 28% from CHF 959 million to CHF 687 million**

The decrease primarily reflected 2011 litigation provisions of CHF 478 million in connection with the German and US tax matters.

# Assets under management

**2013**

In 2013, assets under management of CHF 1,282.4 billion increased 2.5% compared to the end of 2012, reflecting net new assets of CHF 32.1 billion and positive market movements, partially offset by adverse foreign exchange-related movements and structural effects, primarily from the sales of businesses.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 18.9 billion, particularly from inflows from emerging markets and our ultra-high-net-worth individual (UHNWI) client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported strong net new assets of CHF 8.8 billion. Asset Management reported significant net new assets of CHF 15.0 billion, mainly from credit, index strategies and hedge fund products, partially offset by outflows from fixed income. Assets under management continued to reflect a risk-averse asset mix, with investments in less complex, lower-margin products and a significant portion of assets in cash and money market products.

In our non-strategic portfolio, assets under management declined 47.6% to CHF 44.4 billion mainly reflecting the sale of our ETF and secondary private equity businesses.

**2012**

Assets under management as of the end of 2012 were CHF 1,250.8 billion, CHF 65.6 billion higher compared to the end of 2011, driven primarily by positive market movements and by net new assets of CHF 10.8 billion, partially offset by adverse foreign exchange-related movements.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 20.6 billion with inflows particularly from emerging markets and from our UHNWI client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients reported net new assets of CHF 1.5 billion. Asset Management reported net asset outflows of CHF 8.3 billion primarily from multi-asset class solutions which included redemptions of CHF 14.7 billion from a single fixed income mandate, partially offset by inflows in index strategies and credit products.

In our non-strategic portfolio, assets under management were stable at CHF 84.7 billion.

## Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Assets under management by business (CHF billion)** | | | | | |
| Wealth Management Clients | 790.7 | 758.0 | 709.6 | 4.3 | 6.8 |
| Corporate & Institutional Clients | 250.0 | 223.8 | 203.0 | 11.7 | 10.2 |
| Asset Management | 352.3 | 325.3 | 319.0 | 8.3 | 2.0 |
| Non-strategic | 44.4 | 84.7 | 84.6 | (47.6) | 0.0 |
| Assets managed across businesses [1] | (155.0) | (141.0) | (131.0) | 9.9 | 7.6 |
| **Assets under management** | **1,282.4** | **1,250.8** | **1,185.2** | 2.5 | 5.5 |
| **Average assets under management (CHF billion)** | | | | | |
| Average assets under management | 1,291.2 | 1,224.7 | 1,187.1 | 5.4 | 3.2 |
| **Net new assets by business (CHF billion)** | | | | | |
| Wealth Management Clients | 18.9 | 20.6 | 35.1 | (8.3) | (41.3) |
| Corporate & Institutional Clients | 8.8 | 1.5 | 5.3 | 486.7 | (71.7) |
| Asset Management | 15.0 | (8.3) | 3.8 | – | – |
| Non-strategic | (5.9) | (2.1) | 3.5 | 181.0 | – |
| Assets managed across businesses [1] | (4.7) | (0.9) | (1.1) | 422.2 | (18.2) |
| **Net new assets** | **32.1** | **10.8** | **46.6** | 197.2 | (76.8) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

# Investment Banking

For 2013, total Investment Banking income before taxes was CHF 1,719 million, with net revenues of CHF 12,565 million. Our strategic businesses reported income before taxes of CHF 3,853 million and net revenues of CHF 13,164 million. Our non-strategic businesses reported a loss before taxes of CHF 2,134 million, including litigation provisions in connection with the agreement with the Federal Housing Finance Agency (FHFA) on March 21, 2014 to settle certain litigation relating to mortgage-backed securities.

We made continued progress in improving capital efficiency in 2013. We reported total assets of USD 565 billion exceeding our Investment Banking balance sheet target of less than USD 600 billion of assets by year-end 2013. Additionally, we reported Swiss leverage exposure of USD 812 billion, exceeding our Investment Banking target of less than USD 840 billion by year-end 2013.

In 2013, we reduced risk-weighted assets under Basel III by USD 11 billion to USD 176 billion as of the end of 2013, compared to our year-end target of less than USD 175 billion. Business reductions of USD 27 billion were partially offset by increases of USD 10 billion from methodology changes and parameter updates, and an operational risk add-on of USD 6 billion.

## Divisional results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **12,565** | **12,558** | **10,460** | – | 20 |
| of which strategic results | 13,164 | 13,385 | 11,129 | (2) | 20 |
| of which non-strategic results | (599) | (827) | (669) | (28) | 24 |
| **Provision for credit losses** | **13** | **(12)** | **76** | – | – |
| Compensation and benefits | 5,435 | 6,070 | 6,471 | (10) | (6) |
| General and administrative expenses | 4,477 | 3,551 | 3,388 | 26 | 5 |
| Commission expenses | 921 | 947 | 1,118 | (3) | (15) |
| Total other operating expenses | 5,398 | 4,498 | 4,506 | 20 | – |
| **Total operating expenses** | **10,833** | **10,568** | **10,977** | 3 | (4) |
| of which strategic results | 9,300 | 9,970 | 10,308 | (7) | (3) |
| of which non-strategic results | 1,533 | 598 | 669 | 156 | (11) |
| **Income/(loss) before taxes** | **1,719** | **2,002** | **(593)** | (14) | – |
| of which strategic results | 3,853 | 3,427 | 789 | 12 | 334 |
| of which non-strategic results | (2,134) | (1,425) | (1,382) | 50 | 3 |
| **Statement of operations metrics (%)** | | | | | |
| Return on Basel III capital [1] | 7.5 | 7.8 | – | | |
| Cost/income ratio | 86.2 | 84.2 | 104.9 | – | – |
| Pre-tax income margin | 13.7 | 15.9 | (5.7) | – | – |
| **Utilized economic capital and return** | | | | | |
| Average utilized economic capital (CHF million) | 19,910 | 20,241 | 20,525 | (2) | (1) |
| Pre-tax return on average utilized economic capital (%) [2] | 9.1 | 10.6 | (2.4) | – | – |
| **Number of employees (full-time equivalents)** | | | | | |
| Number of employees | 19,700 | 19,800 | 20,700 | (1) | (4) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 26% in 2013, 25% in 2012, 25% in 2011 and capital allocated at 10% of average risk-weighted assets.
[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

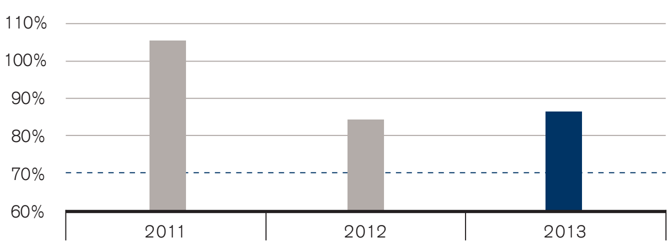
| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Net revenue detail (CHF million)** | | | | | |
| Debt underwriting | 1,902 | 1,617 | 1,404 | 18 | 15 |
| Equity underwriting | 766 | 552 | 713 | 39 | (23) |
| Total underwriting | 2,668 | 2,169 | 2,117 | 23 | 2 |
| Advisory and other fees | 658 | 1,042 | 856 | (37) | 22 |
| **Total underwriting and advisory** | **3,326** | **3,211** | **2,973** | 4 | 8 |
| Fixed income sales and trading | 4,823 | 5,349 | 3,341 | (10) | 60 |
| Equity sales and trading | 4,750 | 4,330 | 4,279 | 10 | 1 |
| **Total sales and trading** | **9,573** | **9,679** | **7,620** | (1) | 27 |
| Other | (334) | (332) | (133) | 1 | 150 |
| **Net revenues** | **12,565** | **12,558** | **10,460** | – | 20 |
| **Average one-day, 98% risk management Value-at-Risk (CHF million)** | | | | | |
| Interest rate | 18 | 27 | 31 | (33) | (13) |
| Credit spread | 35 | 46 | 62 | (24) | (26) |
| Foreign exchange | 9 | 15 | 13 | (40) | 15 |
| Commodity | 2 | 3 | 9 | (33) | (67) |
| Equity | 16 | 23 | 23 | (30) | 0 |
| Diversification benefit | (39) | (59) | (58) | (34) | 2 |
| **Average one-day, 98% risk management Value-at-Risk** | **41** | **55** | **80** | (25) | (31) |

### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 86.2% in 2013, compared to 84.2% in 2012 and 104.9% in 2011. The cost/income ratio for our strategic results was 70.6% in 2013, compared to 74.5% in 2012 and 92.6% in 2011.

▸ Refer to "Key performance indicators" in Core Results for further information.

**Cost/income ratio (KPI)**
Investment Banking




--- Target is a cost/income ratio of 70%.

### Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Investment Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **13,164** | **13,385** | **11,129** | **(599)** | **(827)** | **(669)** | **12,565** | **12,558** | **10,460** |
| **Provision for credit losses** | **11** | **(12)** | **32** | **2** | **–** | **44** | **13** | **(12)** | **76** |
| Compensation and benefits | 5,326 | 5,881 | 6,166 | 109 | 189 | 305 | 5,435 | 6,070 | 6,471 |
| Total other operating expenses | 3,974 | 4,089 | 4,142 | 1,424 | 409 | 364 | 5,398 | 4,498 | 4,506 |
| **Total operating expenses** | **9,300** | **9,970** | **10,308** | **1,533** | **598** | **669** | **10,833** | **10,568** | **10,977** |
| **Income/(loss) before taxes** | **3,853** | **3,427** | **789** | **(2,134)** | **(1,425)** | **(1,382)** | **1,719** | **2,002** | **(593)** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 138,853 | 150,259 | – | 17,549 | 21,252 | – | 156,402 | 171,511 | – |
| Risk-weighted assets – Basel III (USD) | 156,041 | 164,199 | – | 19,721 | 23,224 | – | 175,762 | 187,423 | – |
| Total assets | 475,516 | 529,652 | 600,680 | 27,283 | 34,106 | 40,586 | 502,799 | 563,758 | 641,266 |
| Swiss leverage exposure | 644,800 | – | – | 77,700 | – | – | 722,500 | – | – |

# Strategic results

## OVERVIEW

The transformed Investment Banking division delivered strong profitability in 2013 on slightly lower revenues, a reduced cost base and lower leverage and capital usage. For 2013, our strategic businesses reported income before taxes of CHF 3,853 million compared to income before taxes of CHF 3,427 million in 2012. Net revenues were CHF 13,164 million compared to CHF 13,385 million in 2012.

Revenues in our strategic businesses were slightly lower as strong performance in our equities, credit and underwriting franchises were offset by lower rates and advisory results. Fixed income sales and trading revenues declined 15% compared to 2012, reflecting difficult trading conditions across most fixed income businesses. Equity sales and trading revenues increased 13%, reflecting continued market leadership and increased client activity notwithstanding reduced balance sheet usage. Underwriting and advisory results increased, reflecting significantly higher debt and equity underwriting results. These increases were partially offset by significantly lower advisory revenues, reflecting a decline in the total industry M&A fee pool.

Total operating expenses were CHF 9,300 million, down 7% from 2012. Compensation and benefits of CHF 5,326 million decreased by CHF 555 million, or 9%, from 2012, primarily reflecting lower deferred compensation expense from prior-year awards as 2012 included 2011 Partner Asset Facility (PAF2) expenses of CHF 411 million. Total other operating expenses of CHF 3,974 million were down 3% compared to 2012.

For 2012, our strategic business reported income before taxes of CHF 3,427 million compared to CHF 789 million in 2011. Net revenues were CHF 13,385 million compared to CHF 11,129 million in 2011. Results were stronger compared to 2011 driven by substantially improved performance in our fixed income sales and trading business and higher revenues in our underwriting and advisory franchises.

Fixed income sales and trading revenues increased 53%, compared to a weak 2011, reflecting significantly higher revenues from securitized products and global credit products due to improved market conditions in 2012. Equity sales and trading revenues were stable compared to 2011 as substantially improved derivatives results and higher prime services revenues were offset by weaker cash equities performance due to muted client activity and lower trading volumes compared to 2011. Underwriting and advisory results were higher compared to 2011 reflecting strong debt underwriting results, partially offset by lower equity underwriting revenues. Additionally, advisory revenues were significantly higher as market share gains more than offset lower industry-wide completed M&A activity.

Total operating expenses were CHF 9,970 million, down 3% from 2011. Compensation and benefits of CHF 5,881 million decreased by CHF 285 million, or 5%, from 2011. Total other operating expenses of CHF 4,089 million were down 1% compared to 2011.

As of the end of 2013, our strategic businesses reported risk-weighted assets under Basel III of USD 156 billion reflecting further progress in reducing our risk-weighted assets. We reduced risk-weighted assets under Basel III by USD 8 billion from 2012, as USD 22 billion of position reductions offset increases of USD 8 billion due to methodology changes and parameter updates and an operational risk add-on of USD 6 billion in the fourth quarter of 2013. Additionally, we made significant progress reducing Swiss leverage exposure, reporting year-end leverage exposure of USD 725 billion.

## Strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| Debt underwriting | 1,902 | 1,617 | 1,404 | 18 | 15 |
| Equity underwriting | 766 | 552 | 713 | 39 | (23) |
| Total underwriting | 2,668 | 2,169 | 2,117 | 23 | 2 |
| Advisory and other fees | 658 | 1,042 | 856 | (37) | 22 |
| **Total underwriting and advisory** | **3,326** | **3,211** | **2,973** | 4 | 8 |
| Fixed income sales and trading | 5,300 | 6,221 | 4,057 | (15) | 53 |
| Equity sales and trading | 4,849 | 4,285 | 4,290 | 13 | 0 |
| **Total sales and trading** | 10,149 | 10,506 | 8,347 | (3) | 26 |
| Other | (311) | (332) | (191) | (6) | 74 |
| **Net revenues** | **13,164** | **13,385** | **11,129** | (2) | 20 |
| **Provision for credit losses** | **11** | **(12)** | **32** | – | – |
| Compensation and benefits | 5,326 | 5,881 | 6,166 | (9) | (5) |
| General and administrative expenses | 3,078 | 3,149 | 3,022 | (2) | 4 |
| Commission expenses | 896 | 940 | 1,120 | (5) | (16) |
| Total other operating expenses | 3,974 | 4,089 | 4,142 | (3) | (1) |
| **Total operating expenses** | **9,300** | **9,970** | **10,308** | (7) | (3) |
| **Income before taxes** | **3,853** | **3,427** | **789** | 12 | 334 |
| **Statement of operations metrics (%)** | | | | | |
| Return on Basel III capital [1] | 19.0 | 15.6 | – | – | – |
| Cost/income ratio | 70.6 | 74.5 | 92.6 | – | – |
| Pre-tax income margin | 29.3 | 25.6 | 7.1 | – | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 138,853 | 150,259 | – | (8) | – |
| Risk-weighted assets – Basel III (USD) | 156,041 | 164,199 | – | (5) | – |
| Total assets | 475,516 | 529,652 | 600,680 | (10) | (12) |
| Swiss leverage exposure | 644,800 | – | – | – | – |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 28% in 2013, 25% in 2012, 25% in 2011 and capital allocated at 10% of average risk-weighted assets.

The following provides a comparison of our strategic 2013 results versus 2012 and 2012 results versus 2011.

### Net revenues

#### Debt underwriting

**2013 vs 2012: Up 18% from CHF 1,617 million to CHF 1,902 million**

The increase was driven by higher revenues in emerging markets, particularly in structured lending. We also had higher revenues from investment grade driven by market share gains and strong leveraged finance results, as robust high yield industry-wide issuance volumes offset lower market share.

**2012 vs 2011: Up 15% from CHF 1,404 million to CHF 1,617 million**

The increase was primarily due to higher results in leveraged finance, reflecting significantly higher industry-wide high yield issuance volumes. We also had higher investment grade revenues, driven by higher industry-wide issuance volumes that more than offset a modest decline in market share.

#### Equity underwriting

**2013 vs 2012: Up 39% from CHF 552 million to CHF 766 million**

The improvement was driven by strong performance across most major equity markets. We had significantly higher revenues from initial public offerings (IPOs) and follow-on offerings, as higher industry-wide issuance activity more than offset lower market share for both products.

**2012 vs 2011: Down 23% from CHF 713 million to CHF 552 million**

The decrease was due to lower revenues from follow-on offerings as lower market share more than offset higher industry-wide issuance volumes. We also had lower revenues from IPOs, reflecting lower industry-wide issuance volumes compared to 2011.

#### Advisory and other fees

**2013 vs 2012: Down 37% from CHF 1,042 million to CHF 658 million**

The decrease was primarily due to significantly lower M&A fees reflecting a decline in the total industry fee pool, which more than offset higher completed M&A market share and higher completed M&A volumes.

**2012 vs 2011: Up 22% from CHF 856 million to CHF 1,042 million**
The increase reflected substantially higher M&A fees and other advisory fees, driven by higher completed M&A market share, more than offsetting an industry-wide decline in completed M&A activity. We also had higher private placement fees, reflecting a large Private Investment in Public Equity transaction in the energy sector in 3Q12.

### Fixed income sales and trading

**2013 vs 2012: Down 15% from CHF 6,221 million to CHF 5,300 million**
Fixed income sales and trading revenues declined significantly, reflecting difficult trading conditions across many businesses. Global macro products revenues declined substantially, primarily driven by significantly weaker results from our rates franchise, reflecting reduced client activity and low trading volumes. Emerging markets revenues decreased, driven by lower trading and financing activity, reflecting less favorable market conditions. Securitized products revenues decreased as higher asset finance origination was more than offset by lower agency security trading activities. Corporate lending revenues also declined. These declines were partially offset by increased global credit products revenues, reflecting strong leveraged finance revenues. At the end of 2013, fixed income risk-weighted assets under Basel III totaled USD 91 billion, a reduction of USD 10 billion, or 10%, from the prior year.

**2012 vs 2011: Up 53% from CHF 4,057 million to CHF 6,221 million**
The increase was primarily due to significantly improved results in securitized products compared to a weak performance in 2011. The weak 2011 results reflected valuation reductions on client inventory, including commercial mortgage-backed securities and residential mortgage-backed securities, losses on sales of client inventory as we reduced risk-weighted assets, and subdued client flow. In 2012, we had higher revenues in global credit products due to improved market conditions and increased client appetite for high-yielding products. Substantial inventory reductions in securitized products and global credit products in late 2011 and early 2012 resulted in lower revenue volatility in 2012. In addition, we had higher results in emerging markets, reflecting strong performance in Latin America. Revenues from corporate lending also increased. These increases were partially offset by weaker results in global macro products, reflecting strong foreign exchange performance but lower rates revenues due to subdued client activity.

### Equity sales and trading

**2013 vs 2012: Up 13% from CHF 4,285 million to CHF 4,849 million**
The increased result reflected continued market leadership, higher equity values and increased client activity during the year. The increases were driven by substantially higher derivatives revenues due to robust client activity and strong performance in Asia. We also had higher results from systematic market making driven by improved global coverage and significant market events including quantitative easing in Japan and strong US equity markets that resulted in higher global equity volumes. Cash equities revenues increased, driven by market share gains in the US and Europe and more favorable trading conditions. Prime services revenues were resilient, albeit lower, reflecting sustained market leadership and increased client balances.

**2012 vs 2011: Stable at CHF 4,285 million**
We delivered significantly improved derivatives results compared to weak performance in 2011. We had higher results in prime services with increased market share ranking and higher client balances that more than offset lower hedge fund activity and leverage levels. These revenue increases were offset by lower results in cash equities due to muted client activity and lower trading volumes compared to 2011.

## Operating expenses

### Compensation and benefits

**2013 vs 2012: Down 9% from CHF 5,881 million to CHF 5,326 million**
The decrease was primarily driven by lower deferred compensation expense from prior-year awards, as 2012 included PAF2 expenses of CHF 411 million, and lower salaries and other employee benefits, reflecting lower headcount.

**2012 vs 2011: Down 5% from CHF 6,166 million to CHF 5,881 million**
The decrease was primarily due to lower deferred compensation expense from prior-year awards. We also had lower salaries, reflecting lower headcount and lower discretionary performance-related compensation expense.

### General and administrative expenses

**2013 vs 2012: Down 2% from CHF 3,149 million to CHF 3,078 million**
The decrease was primarily driven by lower litigation provisions and lower technology costs.

**2012 vs 2011: Up 4% from CHF 3,022 million to CHF 3,149 million**
The increase reflected the foreign exchange translation impact. In US dollars, expenses decreased 2%, reflecting lower technology costs.

# Non-strategic results

## OVERVIEW

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily non-exchange-cleared instruments and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

Results reflected net revenue losses of CHF 599 million in 2013 compared to net revenue losses of CHF 827 million in 2012, driven by portfolio valuation gains and lower funding costs. Total operating expenses increased, primarily driven by significantly higher litigation provisions related to mortgage-related matters. In 2013, we reduced risk-weighted assets under Basel III by USD 3 billion to USD 20 billion from the end of 2012. This compares to our target of USD 6 billion by year-end 2015. Additionally, we reported Swiss leverage exposure of USD 87 billion. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

In 2012, results reflected net revenue losses of CHF 827 million compared to net revenue losses of CHF 669 million in 2011, driven by increased losses from our fixed income wind-down portfolio and higher funding costs. Total operating expenses decreased, primarily driven by significantly lower compensation and benefits expense.

### Non-strategic results

| | | | in / end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(599)** | **(827)** | **(669)** | (28) | 24 |
| **Provision for credit losses** | **2** | **0** | **44** | – | (100) |
| Compensation and benefits | 109 | 189 | 305 | (42) | (38) |
| Total other operating expenses | 1,424 | 409 | 364 | 248 | 12 |
| of which litigation | 1,220 | 192 | 102 | – | 88 |
| **Total operating expenses** | **1,533** | **598** | **669** | 156 | (11) |
| **Income/(loss) before taxes** | **(2,134)** | **(1,425)** | **(1,382)** | 50 | 3 |
| **Revenue details (CHF million)** | | | | | |
| Fixed income wind-down | (32) | (597) | (388) | (95) | 54 |
| Legacy rates business | 12 | 40 | 30 | (70) | 33 |
| Legacy funding costs | (382) | (417) | (394) | (8) | 6 |
| Other | (197) | 147 | 83 | – | 77 |
| **Net revenues** | **(599)** | **(827)** | **(669)** | **(28)** | **24** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | |
| Risk-weighted assets – Basel III | 17,549 | 21,252 | – | (17) | – |
| Risk-weighted assets – Basel III (USD) | 19,721 | 23,224 | – | (15) | – |
| Total assets | 27,283 | 34,106 | 40,586 | (20) | (16) |
| Swiss leverage exposure | 77,700 | – | – | – | – |

The following provides a comparison of our non-strategic 2013 results versus 2012 and 2012 results versus 2011.

### Net revenues

**2013 vs 2012: Up 28% from CHF (827) million to CHF (599) million**

We had reduced net revenue losses reflecting significant valuation gains in our fixed income wind-down portfolio driven by various portfolio management measures and lower funding costs. At the end of 2013, risk-weighted assets under Basel III totaled USD 20 billion, a reduction of USD 3 billion from 2012.

**2012 vs 2011: Down 24% from CHF (669) million to CHF (827) million**

Results reflected increased losses from our fixed income wind-down portfolio and higher funding costs, partially offset by improved revenues from our legacy rates business and lower losses in other non-strategic positions.

### Total operating expenses

**2013 vs 2012: Up 156% from CHF 598 million to CHF 1,533 million**

The increase was driven by significantly higher litigation provisions, primarily CHF 1,117 million in connection with mortgage-related matters in 2013, including in connection with the March 2014 FHFA settlement.

**2012 vs 2011: Down 11% from CHF 669 million to CHF 598 million**

The decrease was driven by significantly lower compensation and benefits partially offset by higher general and administrative expenses, driven by the higher litigation provisions.

# Corporate Center

In 2013, we recorded a loss before taxes of CHF 1,455 million, primarily reflecting business realignment costs, fair value losses from movements in own credit spreads, reclassifications to discontinued operations and IT architecture simplification expenses.

## Corporate Center results

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(790)** | **(2,781)** | **1,238** | (72) | – |
| **Provision for credit losses** | **2** | **0** | **0** | – | – |
| Compensation and benefits | 455 | 636 | 739 | (28) | (14) |
| General and administrative expenses | 196 | 464 | 77 | (58) | – |
| Commission expenses | 12 | 8 | 31 | 50 | (74) |
| Total other operating expenses | 208 | 472 | 108 | (56) | 337 |
| **Total operating expenses** | **663** | **1,108** | **847** | (40) | 31 |
| **Income/(loss) before taxes** | **(1,455)** | **(3,889)** | **391** | (63) | – |
| **Balance sheet statistics (CHF million)** | | | | | |
| Risk-weighted assets – Basel III [1] | 15,306 | 16,590 | – | (8) | – |
| Total assets | 87,244 | 80,733 | 119,568 | 8 | (32) |
| Swiss leverage exposure | 83,622 | – | – | – | – |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Corporate Center | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **(55)** | **(235)** | **(106)** | **(735)** | **(2,546)** | **1,344** | **(790)** | **(2,781)** | **1,238** |
| **Provision for credit losses** | **2** | **0** | **0** | **0** | **0** | **0** | **2** | **0** | **0** |
| Compensation and benefits | 153 | 148 | 228 | 302 | 488 | 511 | 455 | 636 | 739 |
| Total other operating expenses | 138 | 151 | 59 | 70 | 321 | 49 | 208 | 472 | 108 |
| **Total operating expenses** | **291** | **299** | **287** | **372** | **809** | **560** | **663** | **1,108** | **847** |
| **Income/(loss) before taxes** | **(348)** | **(534)** | **(393)** | **(1,107)** | **(3,355)** | **784** | **(1,455)** | **(3,889)** | **391** |

## RESULTS OVERVIEW

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

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance.

▸ Refer to "Introduction of non-strategic units" in Credit Suisse – Information and developments – Format of presentation and changes in reporting for further information on non-strategic items.

The following provides a comparison of our 2013 results versus 2012 and 2012 results versus 2011.

### Income/(loss) before taxes

**2013 vs 2012: From CHF (3,889) million to CHF (1,455) million**

Improved results mainly reflected lower fair value losses on own credit spreads of CHF 315 million, compared to CHF 2,939 million in 2012. The fair value losses on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. 2013 results also included lower business realignment costs of CHF 394 million, compared to CHF 680 million in 2012. Business realignment costs in 2013 primarily consisted of severance and other compensation expenses relating to Group-wide cost efficiency initiatives. 2012 results included litigation provisions related to National Century Financial Enterprises, Inc. (NCFE), with no litigation provisions in Corporate Center in 2013. These positive impacts on 2013 results were partly offset by lower gains on sale of real estate of CHF 68 million in 2013, compared to CHF 533 million in 2012, and IT architecture simplification costs of CHF 128 million in 2013. Additionally, Corporate Center's 2013 results included losses of CHF 220 million comprising reclassifications to discontinued operations of revenues and expenses relating to the 2013 sales of our ETF business and Strategic Partners, and the announced sales of CFIG, which was completed in January 2014, and our domestic private banking business booked in Germany.

**2012 vs 2011: From CHF 391 million to CHF (3,889) million**

The decrease from a gain to a loss primarily reflected fair value losses on own credit spreads of CHF 2,939 million in 2012, compared to fair value gains of CHF 1,616 million in 2011. The fair value losses on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. The 2012 losses also included litigation provisions of CHF 227 million from the settlement of NCFE-related litigation. The losses in 2012 were partially offset by higher gains from the sale of real estate of CHF 533 million in 2012, compared to CHF 72 million in 2011 and lower business realignment costs of CHF 680 million in 2012, compared to CHF 847 million in 2011. The business realignment costs primarily consisted of severance and other compensation expenses relating to the Group-wide cost efficiency initiatives.

## Non-strategic results

| | | | in | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Statements of operations (CHF million)** | | | | | |
| **Net revenues** | **(735)** | **(2,546)** | **1,344** | (71) | – |
| **Provision for credit losses** | **0** | **0** | **0** | – | – |
| **Total operating expenses** | **372** | **809** | **560** | (54) | 44 |
| **Income/(loss) before taxes** | **(1,107)** | **(3,355)** | **784** | (67) | – |
| of which fair value impact from movements in own credit spreads | (315) | (2,939) | 1,616 | (89) | – |
| of which realignment costs [1] | (394) | (680) | (847) | (42) | (20) |
| of which IT architecture simplification expenses | (128) | 0 | 0 | – | – |
| of which real estate sales | 68 | 533 | 72 | (87) | – |
| of which litigation provisions | 0 | (227) [2] | 0 | 100 | – |
| of which legacy funding costs [3] | (57) | (85) | (80) | (33) | 6 |
| of which reclassifications to discontinued operations [4] | (220) | 9 | 11 | – | (18) |
| of which other non-strategic items | (61) | 34 | 12 | – | 183 |

[1] Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in the fourth quarter of 2013.
[2] Represents litigation provisions related to NCFE.
[3] Represents legacy funding costs associated with non-Basel III compliant debt instruments.
[4] Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of our ETF business, Strategic Partners and CFIG and the announced sale of our domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Impact from movements in own credit spreads (CHF million)** | | | |
| **Fair value gains/(losses) from movements in own credit spreads** | **(315)** | **(2,939)** | **1,616** |
| of which fair value gains/(losses) on own long-term vanilla debt | (268) | (1,663) | 1,210 |
| of which fair value gains/(losses) from DVA on structured notes | (130) | (958) | 697 |
| of which fair value gains/(losses) on stand-alone derivatives | 83 | (318) | (291) |

# Assets under management

As of December 31, 2013, assets under management from continuing operations were CHF 1,253.4 billion, up 4.6% compared to December 31, 2012, primarily reflecting positive market movements and net new assets of CHF 36.1 billion.

## ASSETS UNDER MANAGEMENT

Assets under management reflect the changes in reporting as discussed in "Credit Suisse – Information and developments – Format of presentation and changes in reporting".

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

▸ Refer to "Private Banking & Wealth Management" and "Note 37 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group for further information on assets under management.

### Assets under management and client assets

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Assets under management (CHF billion)** | | | | | |
| Wealth Management Clients | 790.7 | 758.0 | 709.6 | 4.3 | 6.8 |
| Corporate & Institutional Clients | 250.0 | 223.8 | 203.0 | 11.7 | 10.2 |
| Asset Management [1] | 352.3 | 325.3 | 319.0 | 8.3 | 2.0 |
| Non-strategic | 44.4 | 84.7 | 84.6 | (47.6) | 0.1 |
| Assets managed across businesses [2] | (155.0) | (141.0) | (131.0) | 9.9 | 7.6 |
| **Assets under management** | **1,282.4** | **1,250.8** | **1,185.2** | 2.5 | 5.5 |
| of which continuing operations | 1,253.4 | 1,197.8 | 1,133.5 | 4.6 | 5.7 |
| of which discontinued operations | 29.0 | 53.0 | 51.7 | (45.3) | 2.5 |
| **Assets under management from continuing operations** | **1,253.4** | **1,197.8** | **1,133.5** | 4.6 | 5.7 |
| of which discretionary assets | 397.6 | 365.5 | 338.5 | 8.8 | 8.0 |
| of which advisory assets | 855.8 | 832.3 | 795.0 | 2.8 | 4.7 |
| **Client assets (CHF billion)** | | | | | |
| Wealth Management Clients | 904.5 | 870.1 | 810.8 | 4.0 | 7.3 |
| Corporate & Institutional Clients | 353.3 | 323.0 | 305.2 | 9.4 | 5.8 |
| Asset Management [1] | 352.3 | 325.3 | 319.0 | 8.3 | 2.0 |
| Non-strategic | 51.8 | 88.0 | 87.4 | (41.1) | 0.7 |
| Assets managed across businesses [2] | (155.0) | (141.0) | (131.0) | 9.9 | 7.6 |
| Client assets | **1,506.9** | **1,465.4** | **1,391.4** | 2.8 | 5.3 |
| of which continuing operations | 1,477.5 | 1,411.8 | 1,339.2 | 4.7 | 5.4 |
| of which discontinued operations | 29.4 | 53.6 | 52.2 | (45.1) | 2.7 |

1 Excludes our portion of assets under management from our former investment in Aberdeen.
2 Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

## Growth in assets under management

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | |
| **Net new assets from continuing operations** | **36.1** | **11.4** | **43.7** |
| Net new assets from discontinued operations | (4.0) | (0.6) | 2.9 |
| **Net new assets** | **32.1** | **10.8** | **46.6** |
| of which Wealth Management Clients | 18.9 | 20.6 | 35.1 |
| of which Corporate & Institutional Clients | 8.8 | 1.5 | 5.3 |
| of which Asset Management [1] | 15.0 | (8.3) | 3.8 |
| of which non-strategic | (5.9) | (2.1) | 3.5 |
| of which assets managed across businesses [2] | (4.7) | (0.9) | (1.1) |
| **Other effects from continuing operations** | **19.5** | **52.9** | **(63.5)** |
| Other effects from discontinued operations | (20.0) | 1.9 | (3.1) |
| **Other effects** | **(0.5)** | **54.8** | **(66.6)** |
| of which Wealth Management Clients | 13.8 | 27.8 | (48.8) |
| of which Corporate & Institutional Clients | 17.4 | 19.3 | 1.8 |
| of which Asset Management | 12.0 | 14.6 | (18.2) |
| of which non-strategic | (34.4) | 2.2 | (5.2) |
| of which assets managed across businesses [2] | (9.3) | (9.1) | 3.8 |
| **Growth in assets under management from continuing operations** | **55.6** | **64.3** | **(19.8)** |
| Growth in assets under management from discontinued operations | (24.0) | 1.3 | (0.2) |
| **Growth in assets under management** | **31.6** | **65.6** | **(20.0)** |
| of which Wealth Management Clients | 32.7 | 48.4 | (13.7) |
| of which Corporate & Institutional Clients | 26.2 | 20.8 | 7.1 |
| of which Asset Management [1] | 27.0 | 6.3 | (14.4) |
| of which non-strategic | (40.3) | 0.1 | (1.7) |
| of which assets managed across businesses [2] | (14.0) | (10.0) | 2.7 |
| **Growth in assets under management (%)** | | | |
| **Net new assets from continuing operations** | **3.0** | **1.0** | **3.8** |
| Net new assets from discontinued operations | (7.5) | (1.2) | 5.6 |
| **Net new assets** | **2.5** | **0.9** | **3.9** |
| of which Wealth Management Clients | 2.5 | 2.9 | 4.9 |
| of which Corporate & Institutional Clients | 3.9 | 0.7 | 2.7 |
| of which Asset Management [1] | 4.6 | (2.6) | 1.1 |
| of which non-strategic | (7.0) | (2.5) | 4.1 |
| of which assets managed across businesses [2] | 3.3 | 0.7 | 0.8 |
| **Other effects from continuing operations** | **1.6** | **4.7** | **(5.5)** |
| Other effects from discontinued operations | (37.8) | 3.6 | (6.0) |
| **Other effects** | **0.0** | **4.6** | **(5.6)** |
| of which Wealth Management Clients | 1.8 | 3.9 | (6.8) |
| of which Corporate & Institutional Clients | 7.8 | 9.5 | 0.9 |
| of which Asset Management | 3.7 | 4.6 | (5.4) |
| of which non-strategic | (40.6) | 2.6 | (6.1) |
| of which assets managed across businesses [2] | 6.6 | 6.9 | (2.8) |
| **Growth in assets under management from continuing operations** | **4.6** | **5.7** | **(1.7)** |
| Growth in assets under management from discontinued operations | (45.3) | 2.4 | (0.4) |
| **Growth in assets under management** | **2.5** | **5.5** | **(1.7)** |
| of which Wealth Management Clients | 4.3 | 6.8 | (1.9) |
| of which Corporate & Institutional Clients | 11.7 | 10.2 | 3.6 |
| of which Asset Management [1] | 8.3 | 2.0 | (4.3) |
| of which non-strategic | (47.6) | 0.1 | (2.0) |
| of which assets managed across businesses [2] | 9.9 | 7.6 | (2.0) |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

In 2013, assets under management from continuing operations of CHF 1,253.4 billion increased by CHF 55.6 billion, or 4.6%, compared to the end of 2012, reflecting positive market movements and net new assets, partly offset by adverse foreign exchange-related movements and structural effects, primarily from the sales of businesses.

In our strategic portfolio, Wealth Management Clients contributed assets under management of CHF 790.7 billion, which increased 4.3% compared to the end of 2012, as positive market movements and net new assets of CHF 18.9 billion were partially offset by adverse foreign exchange-related movements. In Corporate & Institutional Clients in Switzerland, assets under management of CHF 250.0 billion increased CHF 26.2 billion, or 11.7%, compared to the end of 2012, mainly driven by positive market movements and CHF 8.8 billion of net new assets. In Asset Management, assets under management were CHF 352.3 billion, an increase of CHF 27.0 billion, or 8.3%, compared to the end of 2012, reflecting positive market performance and net asset inflows of CHF 15.0 billion, partially offset by negative foreign exchange-related movements.

In our non-strategic portfolio, assets under management declined 47.6% to CHF 44.4 billion mainly reflecting the sale of our ETF and secondary private equity businesses, of which CHF 29.0 billion were classified as discontinued operations.

## CLIENT ASSETS

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

## NET NEW ASSETS

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

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

In 2013, we recorded net new assets from continuing operations of CHF 36.1 billion.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 18.9 billion, particularly with inflows from emerging markets and our UHNWI client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported strong net new assets of CHF 8.8 billion. Asset Management recorded significant net new assets of CHF 15.0 billion, mainly from credit and index strategies and hedge fund products, partially offset by outflows from fixed income.

In our non-strategic portfolio, net asset outflows of CHF 5.9 billion reflected the exit of certain businesses, of which CHF 4.0 billion were classified as discontinued operations.

In February 2014, we advised the Permanent Subcommittee on Investigations of the US Senate, among other authorities, that we would undertake a review of our internal processes relating to net new assets.

## Net new assets

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Net new assets (CHF billion)** | | | |
| Wealth Management Clients | 18.9 | 20.6 | 35.1 |
| Corporate & Institutional Clients | 8.8 | 1.5 | 5.3 |
| Asset Management | 15.0 | (8.3) | 3.8 |
| Non-strategic | (5.9) | (2.1) | 3.5 |
| Assets managed across businesses [1] | (4.7) | (0.9) | (1.1) |
| **Net new assets** | **32.1** | **10.8** | **46.6** |
| of which continuing operations | 36.1 | 11.4 | 43.7 |
| of which discontinued operations | (4.0) | (0.6) | 2.9 |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

# Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for further information on significant accounting policies and new accounting pronouncements. For financial information relating to the Bank, refer to the corresponding notes in the consolidated financial statements of the Bank.

## FAIR VALUE

A significant portion of our assets and liabilities are carried at fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products (including leveraged finance, certain syndicated loans and certain high yield bonds) and life finance instruments.

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in Investment Banking and in Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which hedge accounting could not be achieved and for which we are economically hedged, we have elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our financial accounting to our risk management reporting.

Control processes are applied to ensure that the fair values of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information on fair value and related control processes of the Group.

## VARIABLE INTEREST ENTITIES

As a normal part of our business, we engage in various transactions that include entities which are considered VIEs. VIEs are special purpose entities that typically lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 33 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information on VIEs.

## CONTINGENCIES AND LOSS PROVISIONS

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

### Litigation contingencies

We are involved in a variety of judicial, regulatory and arbitration matters in connection with the conduct of our businesses. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of judicial, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken for costs of defense, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, our defenses and experience in similar matters, as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.

### Allowance and provision for credit losses

As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information on allowance for loan losses.

#### Inherent loan loss allowance

The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for Investment Banking adjusts the rating-specific default probabilities to incorporate not only historic third-party data but also those implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

#### Specific loan loss allowances

We make provisions for specific loan losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credit. Extensive judgment is required in order to properly evaluate the various indicators of the financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the allowance. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

▸ Refer to "Risk Management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management.

## GOODWILL IMPAIRMENT

Under US GAAP, goodwill is not amortized, but is reviewed for potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. In Private Banking & Wealth Management, Wealth Management Clients, Corporate & Institutional Clients, Asset Management and Private Banking & Wealth Management's non-strategic unit are considered to be reporting units. Investment Banking is considered to be one reporting unit.

With the adoption of Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), on January 1, 2012 a qualitative assessment is permitted to evaluate whether a reporting unit's fair value is less than its carrying value. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is higher than its carrying value, no quantitative goodwill impairment test is required. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is lower than its carrying value, the first step of the quantitative goodwill impairment test must be performed, by calculating the fair value of the reporting unit and comparing that amount to its carrying value. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. If the carrying value exceeds the fair value, the second step of the quantitative goodwill impairment test, measuring the amount of an impairment loss, if any, has to be performed.

The qualitative assessment is intended to be a simplification of the annual impairment test and can be bypassed for any reporting unit and any period to proceed directly to performing the first step of the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period as per the current practice of the Group, the preparation of a qualitative assessment can be resumed in any subsequent period.

Circumstances that could trigger an initial qualitative assessment or the first step of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

The carrying value of each reporting unit for the purpose of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, cumulative translation adjustments, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis. As of December 31, 2013, such residual equity was equal to CHF 9,425 million. Previously, the carrying value of each reporting unit was determined on the basis of the reporting units' allocated economic capital. The enhanced method of determining the carrying value of the reporting units reflects the current manner in which these businesses are managed as well as the regulatory capital constraints faced by each reporting unit. As of December 31, 2013, the goodwill was tested for impairment under both methods for determining the carrying value of each reporting unit.

Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of competitors; estimates of our future earnings potential based on our three-year strategic business plan; and the level of interest rates.

Estimates of our future earnings potential, and that of the reporting units, involve considerable judgment, including management's view on future changes in market cycles, the regulatory environment, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

Based on our goodwill impairment analysis performed as of December 31, 2013, we concluded that the estimated fair value for three of the reporting units in the Private Banking & Wealth Management division substantially exceeded their related carrying values and no impairment was necessary as of December 31,

2013. The fair value of Private Banking & Wealth Management's non-strategic reporting unit at the date of its creation in the fourth quarter of 2013 was lower than the estimated book value and as a result we recorded a CHF 12 million goodwill impairment charge.

There was no impairment necessary for our Investment Banking reporting unit as the estimated fair value substantially exceeded its carrying value. The Group engaged the services of an independent valuation specialist to assist in the valuation of the reporting unit as of December 31, 2013 using a combination of the market approach and income approach. Under the market approach, consideration is given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a sufficient margin from our best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, we could potentially incur material impairment charges in the future.

▸ Refer to "Note 20 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

## TAXES

### Uncertainty of income tax positions

We follow the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

▸ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

### Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying values of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets will be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets will be realized, management considers both positive and negative evidence, including projected future taxable income, the reversal of deferred tax liabilities which can be scheduled and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As part of its normal practice, management has conducted a detailed evaluation of its expected future results. This evaluation has taken into account the Group's commitment to the integrated banking model and the importance of the Investment Banking segment within the integrated bank, as well as the changes announced in 2012 and the reduction in risk since 2008. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant deferred tax assets, such as the US, the UK and Switzerland. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses, UK tax law allows for an unlimited carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

▸ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

## PENSION PLANS

### The Group

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

Our funding policy with respect to these pension plans is consistent with local government and tax requirements.

The calculation of the expense and liability associated with the defined benefit pension plans requires an extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases. Management determines these assumptions based upon currently available market and industry data and historical experience of the plans. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by us may differ materially from actual results due to changing market and economic conditions and specific experience of the plans (such as investment management over- or underperformance, higher or lower withdrawal rates and longer or shorter life spans of the participants). Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The funded status of our defined benefit pension and other post-retirement defined benefit plans are recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits) are recognized in equity as a component of accumulated other comprehensive income/(loss) (AOCI).

The projected benefit obligation (PBO) of our total defined benefit pension plans as of December 31, 2013 included an amount related to our assumption for future salary increases of CHF 488 million, compared to CHF 534 million as of December 31, 2012. The accumulated benefit obligation (ABO) is defined as the PBO less the amount related to estimated future salary increases. The difference between the fair value of plan assets and the ABO was an overfunding of CHF 2,091 million for 2013, compared to an overfunding of CHF 698 million for 2012.

We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute benefit costs recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix. In calculating pension expense and in determining the expected long-term rate of return, we use the market-related value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date.

The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs in 2013 and 2012 was 4.0% and 4.3%, respectively, for the Swiss plans and 6.2% and 6.4%, respectively, for the international plans. In 2013, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense for the Swiss plans would have decreased/increased CHF 144 million and net pension expense for the international plans would have decreased/increased CHF 26 million.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. In estimating the discount rate, we take into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows from benefit payments. The discount rate used for Swiss plans increased 0.4 percentage point from 2.2% as of December 31, 2012, to 2.6% as of December 31, 2013, mainly due to an increase in Swiss bond market rates. The average discount rate used for international plans increased 0.2 percentage point from 4.5% as of December 31, 2012, to 4.7% as of December 31, 2013, mainly due to an increase in bond market rates in the EU and the US, partially offset by a decrease in UK bond market rates. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2013, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 1,688 million and an increase in pension expense of CHF 126 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,486 million and a decrease in the pension expense of CHF 141 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2013 would have resulted in an increase in the PBO of CHF 604 million and an increase in pension expense of CHF 49 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 487 million and a decrease in the pension expense of CHF 40 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2013, was approximately nine years for the Swiss plans and 3 to 25 years for the international plans. The pre-tax expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2013, 2012 and 2011 was CHF 245 million, CHF 165 million and CHF 152 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2014, which is assessed at the beginning of the year, is expected to be CHF 77 million, net of tax. The impact from deviations between our actuarial assumptions and the actual developments of such parameters observed for our pension plans further impacts the amount of net actuarial losses or gains recognized in equity, resulting in a higher or lower amount of amortization expense in periods after 2014.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension benefits.

**The Bank**

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. The funded status of the Group plan is recorded in the consolidated balance sheets. The actuarial gains and losses and prior service costs or credits are recognized in equity as a component of AOCI.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2013, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs would have been 4.0%. In 2013, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic benefit costs for the international single-employer defined benefit pension plans was 6.2%.

The discount rate used in determining the benefit obligation is based either upon high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. For the year ended December 31, 2013, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic benefit costs would have been 2.6% and 2.2%, respectively. For the year ended December 31, 2013, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic benefit costs for the international single-employer defined benefit pension plans were 4.7% and 4.5%, respectively. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 604 million and an increase in pension expense of CHF 49 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 487 million and a decrease in pension expense by CHF 40 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The pre-tax expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2013, 2012 and 2011 was CHF 79 million, CHF 73 million and CHF 51 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2014, which is assessed at the beginning of the year, is expected to be CHF 38 million, net of tax.

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# III

# Treasury, Risk, Balance sheet and Off-balance sheet

# Liquidity and funding management

During 2013, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

## OVERVIEW

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Our liquidity and funding strategy is approved by the Capital Allocation and Risk Management Committee (CARMC) and overseen by the Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the secured funding desks. This approach enhances our ability to manage potential liquidity and funding risks and to promptly adjust our liquidity and funding levels to meet stress situations. Our liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board of Directors is responsible for defining our overall tolerance for risk in the form of a risk appetite statement.

Our liquidity and funding profile reflects our strategy and risk appetite and is driven by business activity levels and the overall operating environment. We have adapted our liquidity and funding profile to reflect lessons learned from the financial crisis, the subsequent changes in our business strategy and regulatory developments. We have been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management. Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

## REGULATORY FRAMEWORK

In April 2010 and March 2011, we implemented revised liquidity principles agreed with FINMA, following its consultation with the Swiss National Bank (SNB), to ensure that the Group and the Bank have adequate holdings on a consolidated basis of liquid, unencumbered, high-quality securities available in a crisis situation for designated periods of time.

In December 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR).

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of the stock of high-quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The BCBS also proposed revisions to the NSFR, which are expected to become the minimum standard by the previously announced date of January 1, 2018.

In November 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making. The Liquidity Ordinance entered into force on January 1, 2013. It requires appropriate management and monitoring of liquidity risks, and applies to all banks, but is tiered according to the type, complexity and degree of risk of a bank's activities. It also contains supplementary quantitative and qualitative requirements for systemically relevant banks, including us, which are generally consistent with existing FINMA liquidity requirements. In January 2014, the Swiss Federal Council and FINMA proposed revisions to the Liquidity Ordinance to reflect the final Basel III LCR rules. Under the proposal, systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning in 2015.

Our revised liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Basel framework" and "US – Capital and prudential supervision" in I – Information on the company – Regulation and supervision – Recent regulatory developments and proposals for further information.

## LIQUIDITY RISK MANAGEMENT FRAMEWORK

### Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, well in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum target.

Although the NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the BCBS and FINMA, we began using the NSFR in 2012 as the primary tool to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. Pursuant to our announced plans to reduce our balance sheet, we further strengthened our long-term funding profile to accelerate the increase of our NSFR. We estimate that our NSFR under the current FINMA framework was in excess of 100% as of the end of 2013.

Our estimate is based on the definitions and methodologies outlined in the aforementioned BCBS Basel III international framework for liquidity risk measurement, standards and monitoring issued in December 2010, the previously noted Liquidity Ordinance implementing the Basel III liquidity requirements into Swiss law, and other guidance and requirements of FINMA. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions which may not be consistent with those of other financial institutions. NSFR metrics are regulatory ratios whose disclosure is not yet formally required and, as such, represent non-GAAP financial measures.

In parallel with the NSFR, we continue to use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and systemic market stress scenarios and their impact on funding and liquidity. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This barometer framework allows us to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for an extended period of time (also known as a liquidity horizon) without changing business plans during times of Credit Suisse-specific or market-specific stress. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

Our liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Availability of secured funding becomes subject to significant over-collateralization;
- Capital markets, certificates of deposit and commercial paper markets will not be available;
- Other money market access will be significantly reduced;
- A loss in funding value of unencumbered assets;
- The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;
- The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;
- Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;
- Monitoring the composition and analysis of the unencumbered assets;
- Restricted availability of foreign currency swap markets; and
- Other scenarios as deemed necessary from time to time.

### Governance

Funding, liquidity, capital and our foreign exchange exposures in the banking book are managed centrally by Treasury. Oversight of these activities is provided by the CARMC, a committee that includes the chief executive officers (CEOs) of the Group and the divisions, the Chief Financial Officer, the Chief Risk Officer (CRO) and the Treasurer.

It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure and to define and monitor adherence to internal risk limits. CARMC regularly reviews the methodology and assumptions of our liquidity risk management framework and determines the liquidity horizon to be maintained.

All liquidity stress tests are coordinated and overseen by the CRO to ensure a consistent and coordinated approach across all risk disciplines.

### Contingency planning

In the event of a liquidity crisis, our liquidity contingency plan provides for specific actions to be taken depending on the nature of the crisis. Our Treasurer activates the contingency plan upon receipt of various reports that pre-established trigger levels have been breached. Pre-defined further escalation ensures the involvement of senior management and CARMC, the delivery of information to regulators and the meeting of the funding execution committee, which establishes a specific action plan and coordinates business and funding activities. In all cases, the plan's priorities are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

### Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of cash, high grade bonds, major market equity securities and other liquid securities, which serves as a liquidity pool. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. Most of these liquid assets qualify as eligible assets under the BCBS liquidity standards. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks and highly rated government bonds, also from short-term reverse repurchase agreements. These bonds are eligible as collateral for liquidity facilities with various central banks including the SNB, the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. These securities may also serve to meet liquidity requirements for our local businesses.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level haircut that we apply for stress scenarios to reflect the risk that emergency funding may not be available at market value.

We centrally manage the liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

As of December 31, 2013, our liquidity pool, based on our internal model, was CHF 140 billion, net of the stress level haircut. The liquidity pool consisted of CHF 55 billion of cash held by major central banks, primarily the Fed, the SNB and the ECB, CHF 52 billion of securities issued by governments and government agencies, primarily of the US, Britain, France, Germany and Switzerland, and other highly liquid assets including fixed income securities of CHF 15 billion and liquid equity securities of CHF 18 billion that form part of major indices. As of December 31, 2013, our internal model included the application of a stress test level haircut equal to approximately 60% of the market value of non-cash positions in the liquidity pool. The haircut reflects our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

## Liquidity pool

| December 31, 2013 | Swiss franc | US dollar | Euro | Other currencies | Total |
|---|---|---|---|---|---|
| **Liquidity pool by currencies (CHF billion)** | | | | | |
| Cash held at central banks | 23.8 | 27.5 | 2.5 | 0.7 | 54.5 |
| Government bonds | 3.1 | 23.5 | 10.3 | 15.1 | 52.0[1] |
| Fixed income securities | 0.6 | 12.6 | 0.0 | 1.9 | 15.1 |
| Liquid equity securities | 0.0 | 11.4 | 0.1 | 7.0 | 18.5 |
| **Total liquidy pool (based on internal model)** | **27.5** | **75.0** | **12.9** | **24.7** | **140.1** |

[1] Includes reverse repurchases of government bonds of CHF 19.1 billion.

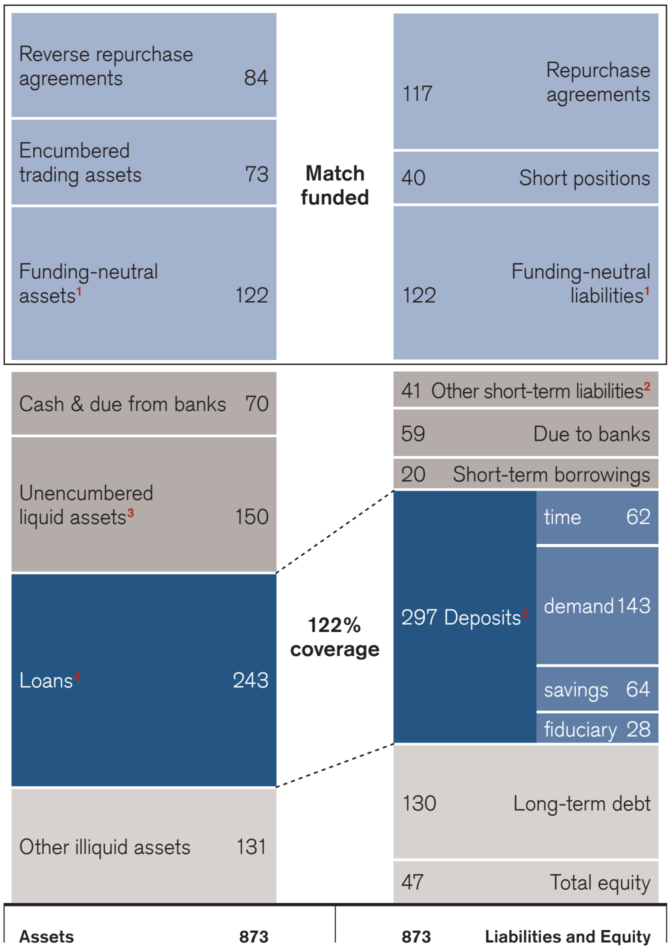
## FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

## Balance sheet funding structure

as of December 31, 2013 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 22% as of the end of 2013, compared to 20% as of the end of 2012, reflecting an increase in core customer deposits that more than offset an increase in loans. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as a haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 297 billion as of the end of 2013, an increase of 4% compared to CHF 285 billion as of the end of 2012 and an increase of 7% compared to CHF 278 billion as of the end of 2011, reflecting growth in the customer deposit base in Private Banking & Wealth Management in 2013 and 2012. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart “Balance sheet funding structure” and “Balance sheet and off-balance sheet” for further information.

### Funding management

Treasury is responsible for the development, execution and regular updating of our funding plan. The plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market conditions.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices, such as the London Interbank Offered Rate (LIBOR), that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates. Our average funding cost, which is allocated to the divisions, remained largely unchanged compared to the end of 2012.

We continually manage the impact of funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including the absolute level of the indices on which our funding is based.

We diversify our long-term funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets, as well as covered bonds. We generally hedge structured notes with positions in the underlying assets or derivatives.

We also use other collateralized financings, including repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of balance sheet and risk-weighted asset (RWA) limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk free and are generally related to client activity.

Our primary source of liquidity is funding through consolidated entities. The funding through non-consolidated special purpose entities (SPEs) and asset securitization activity is immaterial.

## CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below provides contractual maturities of the assets and liabilities specified as of the end of 2013. The contractual maturities are an important source of information for liquidity risk management. However, liquidity risk is also managed based on an expected maturity that considers counterparty behavior and in addition takes into account certain off-balance sheet items such as derivatives. Liquidity risk management performs extensive analysis of counterparty behavioral assumptions under various stress scenarios.

### Contractual maturity of assets and liabilities

| end of 2013 | On demand | Less than 1 month | Between 1 to 3 months | Between 3 to 12 months | Between 1 to 5 years | Greater than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | | |
| Cash and due from banks | 62,251 | 2,523 | 965 | 523 | 0 | 2,430 | 68,692 |
| Interest-bearing deposits with banks | 0 | 463 | 314 | 482 | 202 | 54 | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 65,784 | 67,662 | 18,426 | 7,497 | 461 | 192 | 160,022 |
| Securities received as collateral, at fair value | 20,944 | 1,856 | 0 | 0 | 0 | 0 | 22,800 |
| Trading assets, at fair value | 229,413 | 0 | 0 | 0 | 0 | 0 | 229,413 |
| Investment securities | 4 | 103 | 53 | 480 | 1,768 | 579 | 2,987 |
| Other investments | 839 | 38 | 0 | 0 | 47 | 9,405 | 10,329 |
| Net loans | 6,990 | 49,039 | 25,371 | 44,550 | 84,454 | 36,650 | 247,054 |
| Premises and equipment | 0 | 0 | 0 | 0 | 0 | 5,091 | 5,091 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 7,999 | 7,999 |
| Other intangible assets | 0 | 0 | 0 | 0 | 0 | 210 | 210 |
| Brokerage receivables | 52,045 | 0 | 0 | 0 | 0 | 0 | 52,045 |
| Other assets | 28,363 | 11,938 | 498 | 1,863 | 9,342 | 11,061 | 63,065 |
| Assets of discontinued operations held-for-sale | 299 | 185 | 13 | 1,087 | 0 | 0 | 1,584 |
| **Total assets** | **466,932** | **133,807** | **45,640** | **56,482** | **96,274** | **73,671** | **872,806** |
| **Liabilities (CHF million)** | | | | | | | |
| Due to banks | 12,433 | 5,103 | 2,123 | 2,776 | 332 | 341 | 23,108 |
| Customer deposits | 248,744 | 20,338 | 29,529 | 29,318 | 4,560 | 600 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 20,365 | 53,683 | 12,460 | 6,664 | 809 | 51 | 94,032 |
| Obligation to return securities received as collateral, at fair value | 20,944 | 1,856 | 0 | 0 | 0 | 0 | 22,800 |
| Trading liabilities, at fair value | 76,635 | 0 | 0 | 0 | 0 | 0 | 76,635 |
| Short-term borrowings | 0 | 5,901 | 4,867 | 9,425 | 0 | 0 | 20,193 |
| Long-term debt | 0 | 6,825 | 3,402 | 10,887 | 68,919 | 40,009 | 130,042 |
| Brokerage payables | 73,154 | 0 | 0 | 0 | 0 | 0 | 73,154 |
| Other liabilities | 27,358 | 18,780 | 335 | 400 | 2,871 | 1,703 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 1,093 | 8 | 13 | 26 | 0 | 0 | 1,140 |
| **Total liabilities** | **480,726** | **112,494** | **52,729** | **59,496** | **77,491** | **42,704** | **825,640** |

▸ Refer to "Contractual obligations and other commercial commitments" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations and "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

## DEBT ISSUANCES AND REDEMPTIONS

Our long term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

Our issuances span a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

The table below provides information on long-term debt issuances, maturities and redemptions in 2013, excluding structured notes.

### Debt issuances and redemptions

| in 2013 | Senior | Sub-ordinated | Long-term debt |
|---|---|---|---|
| **Long-term debt (CHF billion, notional value)** | | | |
| **Issuances** | **2.3** | **6.1** | **8.4** |
| of which unsecured | 2.3 | 6.1 | 8.4 |
| **Maturities / Redemptions** | **(16.7)** | **(3.8)** | **(20.5)** |
| of which unsecured | (15.8) | (3.8) | (19.6) |
| of which secured [1] | (0.9) | 0.0 | (0.9) |

Excludes structured notes.
[1] Includes covered bonds.

As of the end of 2013, we had outstanding long-term debt of CHF 130 billion, which included senior and subordinated instruments. We had CHF 34.8 billion and CHF 14.3 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2013 compared to CHF 36.6 billion and CHF 15.2 billion, respectively, as of the end of 2012. The weighted average maturity of long-term debt was 6.7 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity or in 2030 for instruments without a stated final maturity).

▸ Refer to "Note 24 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings increased 8% to CHF 20.2 billion as of the end of 2013 compared to CHF 18.6 billion in 2012.

▸ Refer to "Capital issuances and redemptions" in Capital management for further information on capital issuances, including buffer and progressive capital notes.

## FUNDS TRANSFER PRICING

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures the full funding costs allocation under normal business conditions, but it is even of greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, our businesses are also credited to the extent they provide long-term stable funding.

## CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the funding and liquidity policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2013, net cash provided by operating activities of continuing operations was CHF 22.1 billion, primarily reflecting a decrease in trading assets and liabilities, an increase in other liabilities and the 2013 income from continuing operations, partially offset by an increase in other assets. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2013, net cash of CHF 11.5 billion was provided by investing activities from continuing operations, primarily due to a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions and an increase in loans.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2013, net cash used in financing activities of continuing operations was CHF 24.4 billion, mainly reflecting repayments of long-term debt and a decrease in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, partly offset by the issuances of long-term debt and an increase in due to banks and customer deposits.

## CREDIT RATINGS

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including such factors as earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter (OTC) derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing and derivative contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity barometer takes into consideration contingent events associated with a two-notch downgrade in our credit ratings. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.4 billion, CHF 3.4 billion and CHF 4.8 billion, respectively, as of December 31, 2013, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller. In July 2013, Standard & Poor's announced a one-notch rating downgrade on our long-term debt.

As of the end of 2013, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

▸ Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

# Capital management

As of the end of 2013, our capital position remained strong with a CET1 ratio of 15.7% under Basel III and 10.0% on a look-through basis. Our RWA under Basel III decreased CHF 18.6 billion to CHF 273.8 billion compared to year-end 2012 and our tier 1 capital increased CHF 1.7 billion to CHF 46.1 billion. Our Swiss leverage ratio was 5.1%.

## CAPITAL STRATEGY AND FRAMEWORK

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, we continue to strengthen our capital position and optimize the use of risk-weighted assets (RWA), particularly in light of emerging regulatory capital requirements.

The overall capital needs of Credit Suisse reflect management's regulatory and credit rating objectives as well as our underlying risks. Our framework considers the capital needed to absorb losses, both realized and unrealized, while remaining a strongly capitalized institution. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries and reviewed throughout the year with its regulators. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that possible mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

Our capital management framework relies on economic capital, which is a comprehensive tool that is also used for risk management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength as reflected in our long-term credit rating.

▸ Refer to "Economic capital and position risk" in Risk Management for further information on economic capital.

## REGULATORY CAPITAL FRAMEWORK

### Overview

Effective January 1, 2013, the Basel II.5 framework, under which we operated in 2012, was replaced by the Basel III framework, which was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business. Our 2012 calculations of capital and ratio amounts, which are presented in order to show meaningful comparative information, use estimates as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from FINMA to use the advanced internal ratings-based approach (A-IRB). Under the A-IRB for measuring credit risk, risk weights are determined by using internal risk parameters for probability of default (PD), loss given default (LGD) and effective maturity. The exposure at default is either derived from balance sheet values or by using models.

For calculating the capital requirements for market risk, the internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

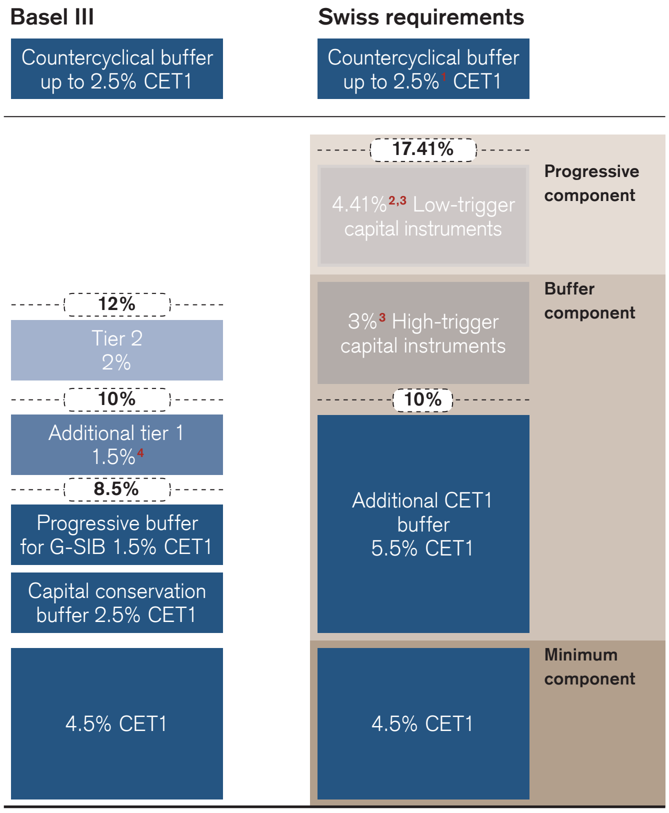
Under the Basel framework, operational risk is included in RWA and we received approval from FINMA to use the advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

### Capital structure under Basel III

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

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

## Capital frameworks for Credit Suisse




[1] As of September 30, 2013, banks are required to hold CET1 capital in the amount of 1% of RWA pertaining to mortgage loans that finance residential property in Switzerland.

[2] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2014, FINMA reduced our 2019 progressive component requirement from 4.41% to 3.66%.

[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.

[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of RWA.

In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions.

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

CET1 capital is subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

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

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through January 1, 2019.

Beginning January 1, 2013, capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, will be phased out at their effective maturity date, generally the date of the first step-up coupon.

## Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | | |
| CET1 | 3.5% [1] | 4.0% [1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **3.5%** | **4.0%** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.0% [1] | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Total tier 1** | **4.5%** | **5.5%** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 3.5% [1] | 2.5% [1] | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **8.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | | 20.0% [1] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase out | Phased out over 10-year horizon beginning 2013 through 2022 | | | | | | |

[1] Indicates transition period.
[2] Includes goodwill and other intangible assets, certain deferred tax assets and participations in financial institutions.

### Swiss Requirements

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss Requirements. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in from 2013 through 2018 and are fully effective January 1, 2019. The legislation on capital requirements builds on Basel III, but in respect of systemically relevant banks goes beyond its minimum standards, including requiring us, as a systemically relevant bank, to have the following minimum, buffer and progressive components.

▸ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

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

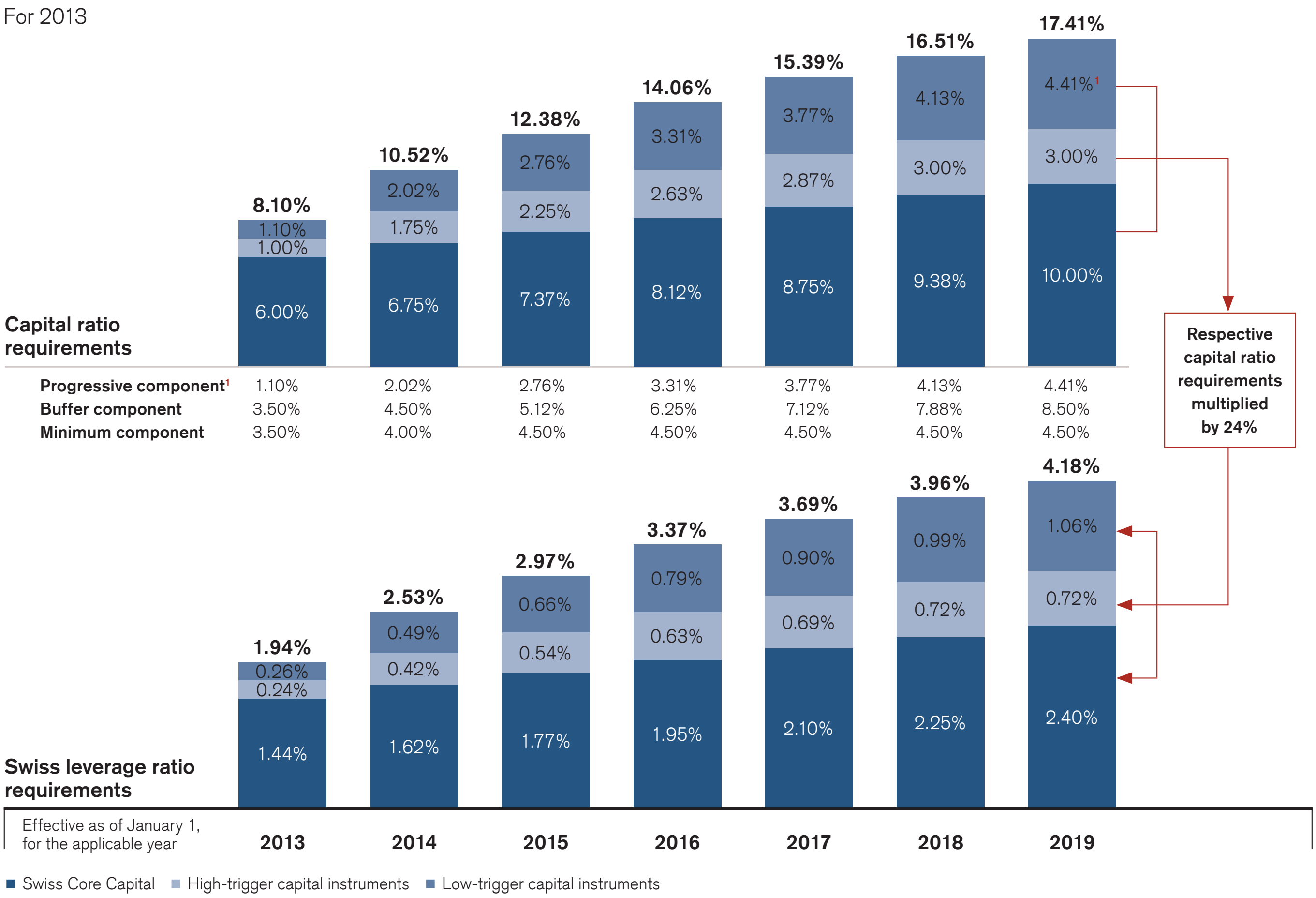
The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. For 2014, FINMA set our progressive component requirement at 3.66%, a decrease from the 4.41% applicable in 2013, reflecting our size and market share based on data as of year-end 2012. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. In February 2013, at the request of the SNB, the Swiss Federal Council activated the countercyclical capital buffer, which was effective September 30, 2013 and requires banks to hold CET1 capital in the amount of 1% of their RWA pertaining to mortgage loans that finance residential property in Switzerland. As of December 31, 2013, our countercyclical buffer was CHF 144 million, which is equivalent to an additional requirement of 0.05% of CET1 capital. In January 2014, at the request of SNB, the Swiss Federal Council further increased this countercyclical buffer from 1% to 2%, effective June 30, 2014.

We also measure Swiss Core Capital and Swiss Total Capital. Swiss Core Capital consists of CET1 capital and tier 1 participation securities, which FINMA advised may be included with a haircut of 20% until December 31, 2018 at the latest, and may include certain other Swiss adjustments. Our Swiss Total Capital consists of Swiss Core Capital, high-trigger capital instruments and low-trigger capital instruments.

As of January 1, 2013, we must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

### Swiss capital and leverage ratio phase-in requirements for Credit Suisse




Excludes countercyclical buffer required as of September 30, 2013.

[1] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2014, FINMA reduced our 2019 progressive component requirement from 4.41% to 3.66%, which leads to a total capital ratio requirement of 16.66% and a Swiss leverage ratio requirement of 4.0%.

**Risk measurement models**

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed Value-at-Risk (VaR), risks not in VaR (RNIV) and, since January 1, 2013, advanced credit valuation adjustment (CVA). The IRC is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. Risks that are not currently implemented within the Group's VaR model, such as certain basis risks, higher order risks and cross risks, are captured through RNIV calculations. Advanced CVA covers the risk of mark-to-market losses on the expected counterparty risk arising from changes in a counterparty's credit spreads.

FINMA, in line with Bank for International Settlements (BIS) requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. For the purposes of this measurement, backtesting exceptions are calculated using a subset of actual daily trading revenues that includes only the impact of daily movements in financial market variables such as interest rates, equity prices and foreign exchange rates on the previous night's positions. In 2013, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

With FINMA approval, we have implemented a Comprehensive Risk Measure framework to calculate a capital charge covering all price risks (default, spread and correlation risk) within the credit correlation products within our trading book portfolio.

Effective January 1, 2013, FINMA introduced increased capital charges for mortgage loans that finance certain residential property in Switzerland (mortgage multiplier). These increased capital charges, which are applied for both BIS and FINMA purposes, will be phased in by January 1, 2019.

▸ Refer to "Market risk" in Risk management for further information on Credit Suisse's risk measurement models and backtesting exceptions.

## REGULATORY DEVELOPMENTS AND PROPOSALS

In January 2014, the BCBS published the framework and disclosure requirements for the Basel III leverage ratio. The required Basel III leverage ratio, which seeks to measure tier 1 capital against exposure, is expected to be at least 3%. Although the effective date of the Basel III leverage ratio is not until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators.

From January 1, 2014, the Capital Requirement Directive (CRD) IV package of legislation (comprising a directive and a regulation) will replace the current CRD directive with new measures implementing Basel III and other requirements. As part of the transition to CRD IV, the UK's Prudential Regulation Authority (PRA) has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved and certain models will require updates in line with latest BCBS guidance and regulatory feedback on modeling techniques.

In accordance with BCBS's G-SIB loss absorbency requirements and FINMA's capital adequacy disclosure requirements, banks with a balance sheet exceeding EUR 200 billion must publish annually 12 financial indicators, such as size and complexity. Depending on these financial indicators, the FSB will set the progressive buffer for G-SIBs. The reporting requirement is effective December 31, 2013 and disclosures will be made by April 30, 2014 on our Investor Relations website.

▸ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

The SNB has previously designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, in December 2013, FINMA issued a decree specifying capital adequacy requirements addressed to the Bank on a stand-alone basis and the Bank and the Group, each on a consolidated basis as systemically relevant institutions. It also specified liquidity and risk diversification requirements for the Bank at the stand-alone level. The decree became effective in the first quarter of 2014.

In July 2013, the Fed, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency released final capital rules that overhaul the existing US bank regulatory capital rules and implement the Basel III framework and certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The final rules are largely consistent with the Basel III framework published by the BCBS, although they diverge in several important respects due to requirements of the Dodd-Frank Act and do not address other, more recent aspects of the Basel III framework. In February 2014, the Fed adopted a rule under the Dodd-Frank Act that creates a new framework for regulation of the US operations of foreign banking organizations. The rule requires Credit Suisse to create a single US intermediate holding company (IHC) to hold all of its US subsidiaries; this will not apply to Credit Suisse AG's New York branch (New York Branch). The IHC will be subject to local risk-based capital and leverage requirements. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the IHC and the New York Branch) will be subject to other new prudential requirements. The new framework's prudential requirements generally become effective in July 2016.

▸ Refer to "Regulation and supervision" in I – Information on the company for further information on regulatory developments and proposals.

## CAPITAL ISSUANCES AND REDEMPTIONS

In March 2014, pursuant to a tender offer, we repurchased USD 1.4 billion of outstanding 7.875% perpetual series B subordinated tier 1 participation securities. We subsequently exercised a regulatory call of the USD 99 million of such securities that had not been tendered, with the result that no such securities remain outstanding. Prior to the announcement of the tender offer and as advised by FINMA, these tier 1 participation securities formed part of Swiss Core Capital under Swiss Requirements, whereas under Basel III, these instruments were included in additional tier 1 instruments subject to phase out. In December 2013, we also redeemed on their first call date USD 1.5 billion of 8.25% perpetual series A subordinated tier 1 participation securities, which were similarly treated.

In December 2013, we issued USD 2.25 billion 7.5% tier 1 capital notes (7.5% Tier 1 Capital Notes).

In October 2013, based on a prior agreement with an entity affiliated with Qatar Investment Authority, we exchanged such entity's holding of all of the CHF 2.5 billion 10% tier 1 capital notes and USD 1.72 billion of the 11% tier 1 capital notes (11% Tier 1 Capital Notes) into equivalent principal amounts of US dollar-denominated 9.5% tier 1 high-trigger capital instruments and Swiss franc-denominated 9.0% tier 1 high-trigger capital instruments (together, the new Tier 1 Capital Notes). In addition, we redeemed USD 55 million of the 11% Tier 1 Capital Notes for cash.

▸ Refer to "Related party transactions" in IV – Corporate Governance and Compensation – Corporate Governance – Banking relationships and related party transactions for further information on the exchange and the terms of the new Tier 1 Capital Notes.

In September 2013, we issued CHF 290 million 6.0% tier 1 capital notes (6.0% Tier 1 Capital Notes, together with the 7.5% Tier 1 Capital Notes, the Tier 1 Capital Notes), which are perpetual but may be redeemed at our option in September 2018, subject to certain conditions. We also issued EUR 1.25 billion 5.75% tier 2 capital notes due in September 2025 (5.75% Tier 2 Capital Notes).

In August 2013, we issued USD 2.5 billion 6.5% tier 2 capital notes due in August 2023 (6.5% Tier 2 Capital Notes and, together with the 5.75% Tier 2 Capital Notes, the Tier 2 Capital Notes).

Each of the series of Tier 1 Capital Notes and Tier 2 Capital Notes issued in 2013 qualify as low-trigger capital instruments and have a write-down feature, which means that the full principal amount of the notes will be permanently written down to zero upon the occurrence of specified triggering events. These events occur when the amount of our CET1 ratio, together with an additional ratio described below that takes into account other outstanding capital instruments, falls below 5.125% for the Tier 1 Capital Notes and 5% for the Tier 2 Capital Notes. The write-down can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and determines a write-down is not required. The capital notes will also be written down upon a non-viability event, which occurs when FINMA determines that a write-down is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances.

The capital ratio write-down triggers for each of the series of capital notes issued in 2013 take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write-down of the capital notes issued in 2013. The amount of additional capital that is expected to be contributed by such conversion or write-down is referred to as the Higher Trigger Capital Amount under the terms of the capital notes issued in 2013.

For the Tier 2 Capital Notes as of the end of 2013, the Higher Trigger Capital Amount was CHF 10.0 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.7%. For the Tier 1 Capital Notes as of the end of 2013, the Higher Trigger Capital Amount was CHF 7.7 billion and the Higher Trigger Capital Ratio was 2.8%. The Contingent Capital Awards granted in 2014 to certain employees as part of their compensation qualify as regulatory capital and are expected to increase these Higher Trigger Capital Amounts over time.

In April 2013, we settled and delivered 233.5 million Group shares out of conditional, conversion and authorized capital as well as treasury shares at a conversion price of CHF 16.29 per share in connection with the mandatory conversion of CHF 3.8 billion mandatory and contingent convertible securities (MACCS) that we had originally issued in July 2012.

In March 2013, we redeemed USD 1.525 billion 7.9% tier 1 capital notes on their first call date.

In January 2013, we redeemed EUR 77 million of lower tier 2 notes on their first call date.

All of the issuances and tier 1 instrument redemptions and repurchases effected in 2013 were approved by FINMA.

## CAPITAL METRICS UNDER BASEL III

**Regulatory capital and ratios – Group**

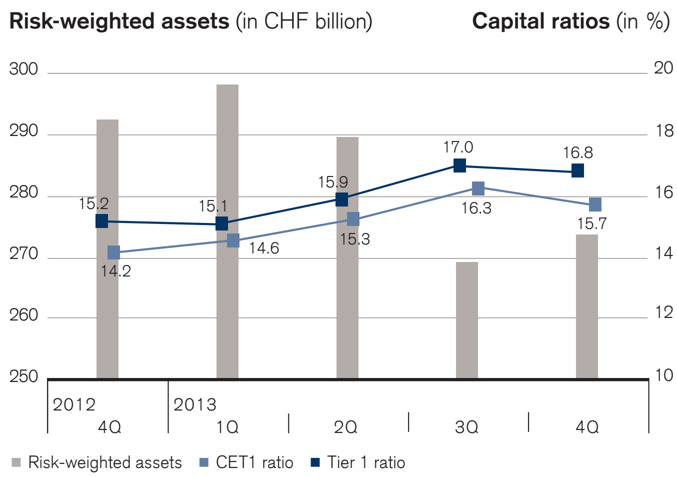
Our CET1 ratio was 15.7% as of the end of 2013, compared to 14.2% as of the end of 2012, reflecting lower RWA and higher CET1 capital. Our tier 1 ratio was 16.8% as of the end of 2013, compared to 15.2% as of the end of 2012. Our total capital ratio was 20.6% as of the end of 2013 compared to 17.6% as of the end of 2012.

CET1 capital was CHF 43.0 billion as of the end of 2013 compared to CHF 41.5 billion as of the end of 2012, reflecting net income and the impact of share-based compensation, partially offset by an adverse foreign exchange translation impact and a dividend accrual.

Additional tier 1 capital was CHF 3.1 billion as of the end of 2013 compared to CHF 2.9 billion as of the end of 2012, mainly due to the issuance of the Tier 1 Capital Notes, partially offset by the redemption of tier 1 participation securities and tier 1 capital notes. Tier 2 capital was CHF 10.2 billion as of the end of 2013 compared to CHF 7.2 billion as of the end of 2012, mainly due to the issuance of the Tier 2 Capital Notes.

Total eligible capital as of the end of 2013 was CHF 56.3 billion compared to CHF 51.5 billion as of the end of 2012.

### Risk-weighted assets and capital ratios – Basel III




RWA decreased CHF 18.6 billion to CHF 273.8 billion as of the end of 2013, reflecting a material decrease in Investment Banking credit risk and market risk, together with a positive impact from foreign exchange translation, partially offset by an increase from model and parameter updates and methodology and policy changes.

‣ Refer to "Risk-weighted assets movement by risk type – Basel III" for further information.

## BIS statistics – Basel III

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | % change | **2013** | 2012 | % change |
| **Eligible capital (CHF million)** | | | | | | |
| Total shareholders' equity | 42,164 | 35,498 | 19 | 39,992 | 34,767 | 15 |
| Mandatory and contingent convertible securities | – [1] | 3,598 [1] | (100) | – | – | – |
| Regulatory adjustments | (1,069) [2] | (303) [2] | 253 | (3,504) [3] | (3,879) [3] | (10) |
| Adjustments subject to phase in [4] | 1,894 | 2,707 | (30) | 1,540 | 5,829 | (74) |
| **CET1 capital** | **42,989** | **41,500** | 4 | **38,028** | **36,717** | 4 |
| Additional tier 1 instruments | 7,484 [5] | 1,516 | 394 | 6,644 | 1,545 | 330 |
| Additional tier 1 instruments subject to phase out [6] | 3,652 | 10,416 | (65) | 3,652 | 10,416 | (65) |
| Deductions from additional tier 1 capital [7] | (8,064) | (9,075) | (11) | (7,219) | (8,201) | (12) |
| **Additional tier 1 capital** | **3,072** | **2,857** | 8 | **3,077** | **3,760** | (18) |
| **Total tier 1 capital** | **46,061** | **44,357** | 4 | **41,105** | **40,477** | 2 |
| Tier 2 instruments | 6,263 [5] | 2,568 | 144 | 6,263 | 2,572 | 144 |
| Tier 2 instruments subject to phase out | 4,321 | 5,016 | (14) | 5,016 | 6,634 | (24) |
| Deductions from tier 2 capital | (357) | (422) | (15) | (318) | (377) | (16) |
| **Tier 2 capital** | **10,227** | **7,162** | 43 | **10,961** | **8,829** | 24 |
| **Total eligible capital** | **56,288** | **51,519** | 9 | **52,066** | **49,306** | 6 |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Credit risk | 175,631 | 201,764 | (13) | 166,324 | 191,649 | (13) |
| Market risk | 39,133 | 39,466 | (1) | 39,111 | 39,438 | (1) |
| Operational risk | 53,075 | 45,125 | 18 | 53,075 | 45,125 | 18 |
| Non-counterparty risk | 6,007 | 6,126 | (2) | 5,758 | 5,873 | (2) |
| **Risk-weighted assets** | **273,846** | **292,481** | (6) | **264,268** | **282,085** | (6) |
| **Capital ratios (%)** | | | | | | |
| CET1 ratio | 15.7 | 14.2 | – | 14.4 | 13.0 | – |
| Tier 1 ratio | 16.8 | 15.2 | – | 15.6 | 14.3 | – |
| Total capital ratio | 20.6 | 17.6 | – | 19.7 | 17.5 | – |

1 Converted and settled into 233.5 million shares on April 8, 2013 and reflected in total shareholders' equity as of that date.
2 Includes regulatory adjustments not subject to phase in, including a cumulative dividend accrual.
3 Includes regulatory adjustments not subject to phase in, including the cumulative dividend accrual, and an adjustment for tier 1 participation securities.
4 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments. For the years 2014 – 2018, there will be a five-year (20% per annum) phase-in of goodwill and other intangible assets and other capital deductions (e.g., certain deferred tax assets and participations in financial institutions).
5 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 7.7 billion consists of capital instruments with a capital ratio write-down trigger of 7%, CHF 2.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125% and CHF 3.7 billion consists of capital instruments with a capital ratio write-down trigger of 5%.
6 Includes tier 1 participation securities and hybrid capital instruments that are subject to phase out.
7 Includes goodwill and other intangible assets of CHF 8.2 billion and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## CET1 capital movement – Basel III

| | 2013 |
|---|---|
| **CET1 capital (CHF million)** | |
| **Balance at beginning of period** | **41,500** |
| Net income | 2,326 |
| Foreign exchange impact | (907) |
| Other | 70 [1] |
| **Balance at end of period** | **42,989** |

[1] Reflects the effect of share-based compensation, a dividend accrual and a change in other regulatory deductions.

### Other regulatory disclosures

In connection with the implementation of Basel III, additional regulatory disclosures are required. Additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, subsidiary regulatory reporting, reconciliation requirements and Pillar 3 disclosures can be found on the Investor Relations website.

▸ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

### Look-through CET1 ratio

For the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and other intangible assets and other capital deductions (e.g., certain deferred tax assets and participations in financial institutions). Assuming fully phased-in deductions of CHF 8.2 billion of goodwill and other intangible assets and CHF 7.5 billion of other regulatory adjustments, we estimate that our Look-through CET1 ratio as of the end of 2013 would be 10.0%, calculated based on Look-through RWA of CHF 266 billion.

### Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty-risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both the balance sheet and off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment. It is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA.

## Risk-weighted assets by division – Basel III

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Risk-weighted assets by division (CHF million)** | | | |
| Private Banking & Wealth Management | 94,395 | 96,009 | (2) |
| Investment Banking | 156,402 | 171,511 | (9) |
| Corporate Center | 23,049 | 24,961 | (8) |
| **Risk-weighted assets** | **273,846** | **292,481** | (6) |

## Risk-weighted asset movement by risk type – Basel III

| 2013 | Credit risk (excluding CVA) | Credit risk (CVA) | Market risk | Operational risk | Non-counterparty risk | **Total risk-weighted assets** |
|---|---|---|---|---|---|---|
| **Risk-weighted asset movement by risk type (CHF million)** | | | | | | |
| **Balance at beginning of period** | **177,488** | **24,276** | **39,466** | **45,125** | **6,126** | **292,481** |
| Foreign exchange impact | (3,580) | (110) | (756) | 0 | 0 | (4,446) |
| Acquisitions and disposals | (323) | 0 | 0 | 0 | 0 | (323) |
| Movements in risk levels | (11,472) | (12,749) | (6,231) | (337) | (119) | (30,908) |
| of which credit risk – book size [1] | (10,586) | (10,562) | – | – | – | – |
| of which credit risk – book quality [2] | (886) | (2,187) | – | – | – | – |
| Model and parameter updates [3] | (1,754) | (2,103) | 709 | 1,412 | 0 | (1,736) |
| Methodology and policy [4] | 4,565 | 1,393 | 5,945 | 6,875 | 0 | 18,778 |
| **Balance at end of period** | **164,924** | **10,707** | **39,133** | **53,075** | **6,007** | **273,846** |

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters.
[4] Represents both internal changes impacting how exposures are treated and externally prescribed regulatory changes.

The decrease in book size in credit risk (excluding CVA) was driven by decreases within Investment Banking, primarily relating to derivative counterparty exposures, and decreases within Private Banking & Wealth Management relating to decreases in lending and mortgage exposures together with asset management fund redemptions. The decrease in RWA related to book quality resulted from improvements in quality within Private Banking & Wealth Management, driven by the securitization of positions in the first quarter of 2013, together with marginal decreases in average risk weighting for lending to corporate clients. This was partially offset by decreases in book quality within Investment Banking, driven by an increase in the average risk weighting for lending, most notably within the leveraged finance, corporate lending, emerging markets and equity derivatives businesses. Methodology changes increased RWA resulting from derecognizing re-securitization collateral as eligible collateral for secured financing, the inclusion of backtesting buffers for model-based counterparty exposures, and within Private Banking & Wealth Management the introduction of the mortgage multiplier relating to the financing of certain residential property in Switzerland. This was partially offset by a reduction in RWA due to model and parameter updates, primarily as a result of the annual update to the LGD parameters within Investment Banking.

Credit risk related to CVA risk declined during the period mainly due to reductions in book size reflecting decreased exposures and increased hedging. Decreases in RWA related to book quality were driven by changes in credit spreads. Declines in RWA due to model and parameter updates as a result of time series updates to the model were partially offset by increases in RWA due to the application of improved methodologies to specific portfolios.

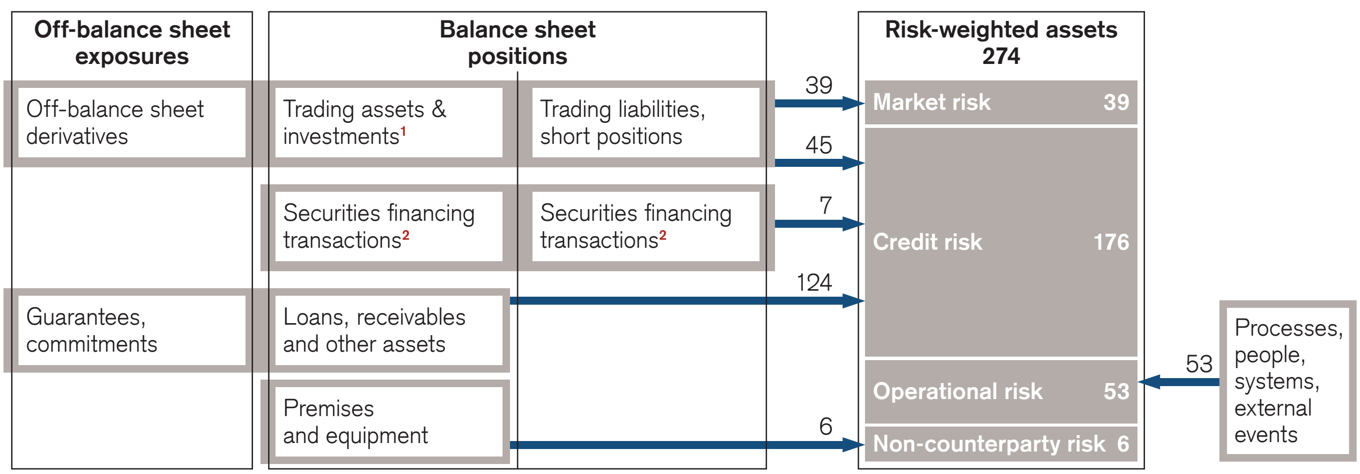
Market risk within Investment Banking decreased slightly. Reductions in risk levels across a number of business areas primarily within regular VaR and stressed VaR were partially offset by methodology changes driven by the inclusion of certain risk components not covered by our VaR model and increases in stressed VaR resulting mainly from the introduction of a stressed spreads methodology.

The increase in operational risk resulted from revisions to the model to measure operational risk as of December 31, 2013 to include all litigation provisions, parameter updates and an add-on component relating to the aggregate range of reasonably possible litigation losses not covered by existing provisions.

▸ Refer to the table "BIS statistics – Basel III" for further information regarding market risk and the VaR methodology.

## Risk-weighted assets – Basel III

as of December 31, 2013 (CHF billion)




[1] Includes primarily trading assets, investment securities and other investments.
[2] Includes central bank funds sold, securities purchased under resale agreements and central bank funds purchased, securities sold under repurchase agreements and securities lending transactions.

## Regulatory capital – Bank

The Bank's CET1 ratio was 14.4% as of the end of 2013, an increase from 13.0% as of the end of 2012. The increase in the tier 1 ratio reflected an increase in CET1 capital and a decrease in RWA. The Bank's tier 1 ratio was 15.6% as of the end of 2013, compared to 14.3% as of the end of 2012. The Bank's total capital ratio was 19.7% as of the end of 2013, compared to 17.5% as of the end of 2012.

CET1 capital was CHF 38.0 billion as of the end of 2013 compared to CHF 36.7 billion as of the end of 2012, reflecting net income and the impact of share-based compensation, partially offset by an adverse foreign exchange translation impact and a dividend accrual.

Additional tier 1 capital decreased to CHF 3.1 billion, mainly due to the redemption of tier 1 participation securities and tier 1 capital notes, partially offset by the issuance of the Tier 1 Capital Notes. Tier 2 capital increased to CHF 11.0 billion as of the end of 2013, mainly due to the issuance of the Tier 2 Capital Notes.

The Bank's total eligible capital increased to CHF 52.1 billion as of the end of 2013 from CHF 49.3 billion as of the end of 2012.

RWA decreased CHF 17.8 billion to CHF 264.3 billion as of the end of 2013.

The business of the Bank is substantially the same as the business of the Group. The trends for the Bank are consistent with those for the Group.

▸ Refer to "Market risk", "Credit risk" and "Operational risk" in Risk management for further information.

## CAPITAL METRICS UNDER SWISS REQUIREMENTS

### Swiss Core and Total Capital ratios

Swiss Core Capital consists of CET1 capital, tier 1 participation securities which FINMA advised may be included with a haircut of 20% until December 31, 2018 at the latest, and may include certain other adjustments. Swiss Total Capital also includes high-trigger capital instruments and low-trigger capital instruments. As of the end of 2013, our Swiss Core Capital and Swiss Total Capital ratios were 16.2% and 21.2%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.0% and 8.1%, respectively.

## Swiss Core and Total Capital ratios

| | | | Group | | | Bank |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | % change | **2013** | 2012 | % change |
| **Capital development (CHF million)** | | | | | | |
| CET1 capital | 42,989 | 41,500 | 4 | 38,028 | 36,717 | 4 |
| Swiss regulatory adjustments [1] | 1,658 | 2,481 | (33) | 1,711 | 2,864 | (40) |
| **Swiss Core Capital** | **44,647** | **43,981** | **2** | **39,739** | **39,581** | **0** |
| High-trigger capital instruments [2] | 7,743 | 4,084 | 90 | 7,743 | 4,084 | 90 |
| Low-trigger capital instruments [3] | 6,005 | – | – | 5,164 | – | – |
| **Swiss Total Capital** | **58,395** | **48,065** | **21** | **52,646** | **43,665** | **21** |
| **Risk-weighted assets (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III | 273,846 | 292,481 | (6) | 264,268 | 282,085 | (6) |
| Swiss regulatory adjustments [4] | 1,015 | 1,259 | (19) | 1,020 | 1,220 | (16) |
| **Swiss risk-weighted assets** | **274,861** | **293,740** | **(6)** | **265,288** | **283,305** | **(6)** |
| **Capital ratios (%)** | | | | | | |
| Swiss Core Capital ratio | 16.2 | 15.0 | – | 15.0 | 14.0 | – |
| Swiss Total Capital ratio | 21.2 | 16.4 | – | 19.8 | 15.4 | – |

1 Consists of tier 1 participation securities of CHF 1.3 billion, additional tier 1 deductions for which there is not enough tier 1 capital available and is therefore deducted from Swiss Core Capital and other Swiss regulatory adjustments.
2 Consists of CHF 5.2 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
3 Consists of CHF 2.3 billion additional tier 1 instruments and CHF 3.7 billion tier 2 instruments.
4 Includes increased regulatory thresholds resulting from additional Swiss Core Capital.

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

## Swiss capital requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2013 | Minimum component | Buffer component | Progressive component | Excess | 2013 |
| **Risk-weighted assets (CHF billion)** | | | | | | | | | | |
| **Swiss risk-weighted assets** | **–** | **–** | **–** | **–** | **274.9** | **–** | **–** | **–** | **–** | **265.3** |
| **2013 Swiss capital requirements** [1] | | | | | | | | | | |
| Minimum Swiss Total Capital ratio | 3.5% | 3.5% | 1.1% | – | 8.1% | 3.5% | 3.5% | 1.1% | – | 8.1% |
| Minimum Swiss Total Capital (CHF billion) | 9.6 | 9.6 | 3.0 | – | 22.3 | 9.3 | 9.3 | 2.9 | – | 21.5 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss Core Capital | 9.6 | 1.9 | – | 33.2 | 44.6 | 9.3 | 1.5 | – | 28.9 | 39.7 |
| High-trigger capital instruments | – | 7.7 | – | – | 7.7 | – | 7.7 | – | – | 7.7 |
| Low-trigger capital instruments | – | – | 3.0 | 3.0 | 6.0 | – | – | 2.9 | 2.2 | 5.2 |
| **Swiss Total Capital** | **9.6** | **9.6** | **3.0** | **36.1** | **58.4** | **9.3** | **9.3** | **2.9** | **31.1** | **52.6** |
| **Capital ratios (%)** | | | | | | | | | | |
| **Swiss Total Capital ratio** | **3.5%** | **3.5%** | **1.1%** | **13.1%** | **21.2%** | **3.5%** | **3.5%** | **1.1%** | **11.7%** | **19.8%** |

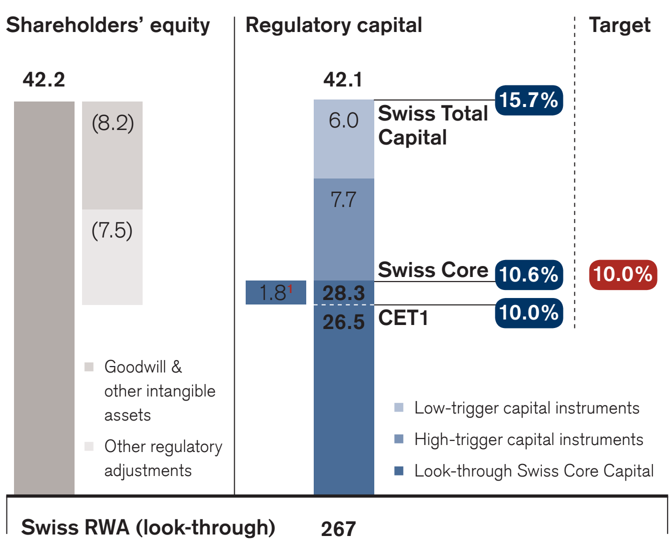
Rounding differences may occur. Excludes countercyclical buffer that was required as of September 30, 2013.
[1] The Swiss capital requirements are based on a percentage of RWA.

### Look-through Swiss Core and Total Capital ratios

The look-through basis assumes fully phased-in goodwill and other intangible assets and other regulatory adjustments. On a look-through basis, our Swiss Core Capital was CHF 28.3 billion and our Swiss Core Capital ratio was 10.6% compared to a 10.0% ratio that we target. Our Swiss Total Capital was CHF 42.1 billion and our Swiss Total Capital ratio was 15.7%, each on a look-through basis.

## Look-through capital ratios – Group

as of December 31, 2013 (CHF billion)




Rounding differences may occur.
[1] Consists of existing tier 1 participation securities of CHF 1.3 billion and other Swiss regulatory adjustments.

### Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss Total Capital, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons. As of the end of 2013, our Swiss leverage ratio was 5.1%. As of the end of 2013, our total exposure was CHF 1,131 billion, compared to our year-end 2013 target of CHF 1,190 billion. We have revised our long-term target to CHF 1,070 billion.

## Swiss leverage ratio

| | Group | Bank |
|---|---|---|
| end of | 2013 | 2013 |
| **Swiss Total Capital (CHF million)** | | |
| **Swiss Total Capital** | **58,395** | **52,646** |
| **Exposure (CHF million)** [1] | | |
| Balance sheet assets | 890,242 | 872,097 |
| Off-balance sheet exposures | 133,426 | 132,567 |
| Regulatory adjustments | 130,150 | 127,795 |
| **Total average exposure** | **1,153,818** | **1,132,459** |
| **Swiss leverage ratio (%)** | | |
| Swiss leverage ratio | 5.1 | 4.6 |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

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

## Swiss leverage requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 2013 | Minimum component | Buffer component | Progressive component | Excess | 2013 |
| **Exposure (CHF billion)** | | | | | | | | | | |
| **Total average exposure** | **–** | **–** | **–** | **–** | **1,153.8** | **–** | **–** | **–** | **–** | **1,132.5** |
| **2013 Swiss leverage requirements** [1] | | | | | | | | | | |
| Minimum Swiss leverage ratio | 0.84% | 0.84% | 0.26% | – | 1.94% | 0.84% | 0.84% | 0.26% | – | 1.94% |
| Minimum Swiss leverage (CHF billion) | 9.7 | 9.7 | 3.1 | – | 22.4 | 9.5 | 9.5 | 3.0 | – | 22.0 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss Core Capital | 9.7 | 1.9 | – | 33.0 | 44.6 | 9.5 | 1.8 | – | 28.5 | 39.7 |
| High-trigger capital instruments | – | 7.7 | – | – | 7.7 | – | 7.7 | – | – | 7.7 |
| Low-trigger capital instruments | – | – | 3.1 | 3.0 | 6.0 | – | – | 3.0 | 2.2 | 5.2 |
| **Swiss Total Capital** | **9.7** | **9.7** | **3.1** | **36.0** | **58.4** | **9.5** | **9.5** | **3.0** | **30.6** | **52.6** |
| **Swiss leverage ratio (%)** | | | | | | | | | | |
| **Swiss leverage ratio** | **0.84%** | **0.84%** | **0.26%** | **3.1%** | **5.1%** | **0.84%** | **0.84%** | **0.26%** | **2.7%** | **4.6%** |

Rounding differences may occur.
[1] The leverage requirements are based on a percentage of total average exposure.

### Look-through Swiss leverage ratio

The look-through basis assumes fully phased-in goodwill and other intangible assets and other regulatory adjustments. On a look-through basis, the Group's Swiss leverage ratio was 3.7%, compared to the 4% that will be required in 2019 taking into account FINMA's reduction of our progressive component requirement beginning in 2014.

### Total shareholders' equity

#### Group

Our total shareholders' equity was CHF 42.2 billion as of the end of 2013 compared to CHF 35.5 billion as of the end of 2012. Total shareholders' equity was impacted by the issuance of common shares primarily for the settlement of MACCS, net income in 2013, an actuarial pension adjustment, the effect of share-based compensation and the purchase of subsidiary shares from non-controlling interests relating to the redemption of tier 1 participation securities. These increases were partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and dividend payments in 2013.

▸ Refer to the "Consolidated statements of changes in equity" in V – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

#### Bank

The Bank's total shareholder's equity was CHF 40.0 billion as of the end of 2013 compared to CHF 34.8 billion as of the end of

2012. Total shareholder's equity was impacted by capital contributions from the Group, net income in 2013 and the effect of share-based compensation. These increases were partially offset by the impact of foreign exchange-related movements on cumulative translation adjustments and dividend payments in 2013.

▸ Refer to the "Consolidated statements of changes in equity" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholder's equity.

## Capital

| | | Group | | | Bank | |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | % change | **2013** | 2012 | % change |
| **Shareholders' equity (CHF million)** | | | | | | |
| Common shares | 64 | 53 | 21 | 4,400 | 4,400 | 0 |
| Additional paid-in capital | 27,853 | 23,636 | 18 | 34,617 | 28,686 | 21 |
| Retained earnings | 30,261 | 28,171 | 7 | 15,169 | 13,637 | 11 |
| Treasury shares, at cost | (139) | (459) | (70) | 0 | 0 | – |
| Accumulated other comprehensive income/(loss) | (15,875) | (15,903) | 0 | (14,194) | (11,956) | 19 |
| **Total shareholders' equity** | **42,164** | **35,498** | 19 | **39,992** | **34,767** | 15 |
| Goodwill | (7,999) | (8,389) | (5) | (7,121) | (7,510) | (5) |
| Other intangible assets | (210) | (243) | (14) | (210) | (243) | (14) |
| **Tangible shareholders' equity** [1] | **33,955** | **26,866** | 26 | **32,661** | **27,014** | 21 |
| **Shares outstanding (million)** | | | | | | |
| Common shares issued | 1,596.1 | 1,320.8 | 21 | 4,399.7 | 44.0 | – |
| Treasury shares | (5.2) | (27.0) | (81) | – | – | – |
| **Shares outstanding** | **1,590.9** | **1,293.8** | 23 | **4,399.7** | **44.0** | – |
| **Par value (CHF)** | | | | | | |
| **Par value** | 0.04 | 0.04 | 0 | 1.00 [2] | 100.00 | (99) |
| **Book value per share (CHF)** | | | | | | |
| **Total book value per share** | **26.50** | **27.44** | (3) | **9.09** | **790.16** | (99) |
| Goodwill per share | (5.03) | (6.48) | (22) | (1.62) | (170.68) | (99) |
| Other intangible assets per share | (0.13) | (0.19) | (32) | (0.05) | (5.53) | (99) |
| **Tangible book value per share** [1] | **21.34** | **20.77** | 3 | **7.42** | **613.95** | (99) |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.
[2] Reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013.

## ADDITIONAL INFORMATION

### Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

We purchased 385.4 million treasury shares and sold or re-issued 401.1 million treasury shares in 2013, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2013, the Group held 5.2 million treasury shares.

▸ Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation for further information.

## Purchases and sales of treasury shares

| In million, except where indicated | Number of shares | Average price per share in CHF |
|---|---|---|
| **2013** | | |
| January | 31.0 | 25.15 |
| February | 27.1 | 25.93 |
| March | 32.4 | 25.34 |
| April | 64.2 | 25.09 |
| May | 28.9 | 28.00 |
| June | 28.5 | 26.49 |
| July | 29.4 | 26.92 |
| August | 17.1 | 28.05 |
| September | 19.6 | 28.03 |
| October | 26.6 | 28.67 |
| November | 49.3 | 26.58 |
| December | 31.3 | 26.56 |
| **Total purchase of treasury shares** | **385.4** | **–** |
| **Total sale of treasury shares** | **401.1** | **–** |

### Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the annual general meeting (AGM). The Board of Directors may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors have to confirm whether the appropriation of retained earnings is in accordance with Swiss law and articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board of Directors. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. Dividend payments made in 2013, for 2012, were comprised of a distribution of CHF 0.10 per share in cash and in the form of new Group shares with an equivalent value of approximately CHF 0.65 per registered share for the 2012 financial year. As a result, we issued 37.6 million new Group shares out of authorized capital in May 2013. Our Board of Directors will propose for the financial year 2013 a cash distribution of CHF 0.70 per share to be paid out of reserves from capital contributions at the AGM on May 9, 2014. The distribution out of reserves from capital contributions will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The ex-dividend date has been set to May 13, 2014.

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

▸ Refer to "Proposed distribution against reserves from capital contributions" in VI – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distributions for further information on dividends.

## Dividend per ordinary share

| | USD [1] | CHF |
|---|---|---|
| **Dividend per ordinary share for the financial year** | | |
| 2012 [2] | 0.83 | 0.75 |
| 2011 | 0.78 | 0.75 |
| 2010 | 1.48 | 1.30 |
| 2009 | 1.78 | 2.00 |
| 2008 | 0.10 | 0.10 |

[1] Represents the distribution on each American Depositary Share. For further information, refer to www.credit-suisse.com/dividend.

[2] Distribution consisted of CHF 0.10 (USD 0.11) per share in cash and a stock dividend with a theoretical value of approximately CHF 0.65 (USD 0.69) per subscription right as approved at the AGM on April 27, 2013 for the financial year 2012.

### Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders' equity. The decisions regarding these parameters are taken by CARMC and are regularly reviewed.

Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward looking and concurrent backward looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

Interest rate risk inherent in banking book activities, such as lending and deposit taking, is transferred from the divisions to Treasury, which centrally manages the interest rate exposures. Treasury also develops and maintains the models needed to determine the interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

# Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2013. During the year, we took additional steps to adapt our businesses and our risk management approaches and methodologies to the new regulatory requirements. In 2013, overall position risk increased 7%, utilized economic capital increased 4%, average risk management VaR in US dollars for our trading books decreased 27% and our impaired loans decreased 14% to CHF 1.5 billion.

## KEY RISK DEVELOPMENTS IN 2013

2013 was a year marked by a persisting low interest environment, good performance of the Swiss economy, economic recovery in most EU countries, advanced US economic recovery and a challenging regulatory environment.

To support the recovery of the weak economy, major central banks continued their unprecedented liquidity support and near zero interest rate policy during 2013. Supported by the search for yield, low credit quality and high-yield instruments attracted investors' capital; in some cases, issuance volumes were higher and spreads lower than prior to the financial crisis of 2008. In particular, the ratio of issuances with CCC ratings and below has risen significantly. In September 2013, US regulators expressed concerns around current underwriting standards and requested that more conservative risk criteria be implemented industry wide.

The regulatory environment for the Group remained challenging during 2013. Since January 1, 2013, the Group has operated under the Basel III regulatory framework, whereas the Basel III implementation for banks in the EU (CRD IV) and the US is planned to start in 2014. As part of the transition to CRD IV, the PRA has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved by the PRA while certain of our models will require updates in line with latest BCBS guidance and regulatory feedback on modeling techniques.

Also, the Basel III regulatory framework has introduced standards for liquidity risk measurement and monitoring, including LCR and NSFR. LCR is as a comprehensive measure addressing short-term liquidity risk over a 30-day period while NSFR is a comprehensive measure for long-term liquidity risk addressing the funding of a bank's assets and activities over a one-year horizon. In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The observation period for this metric started in 2013, allowing for appropriate preparation to comply with this regulatory liquidity requirement.

▸ Refer to "Regulatory framework" in Liquidity and funding management for information on LCR and NSFR.

We observed a trend towards a more stringent interpretation of existing capital rules, in particular regarding operational risk, and a growing focus on more standardized and simpler risk measures. The roll-out for the expanded operational risk framework has been ongoing. Furthermore, there are increased requirements from regulators across the globe towards establishing effective recovery and resolution plans (RRP).

In Investment Banking, there has been a continued emphasis on the strategy of reducing our balance sheet and risk-weighted assets thereby decreasing the overall capacity for risk taking.

In Private Banking & Wealth Management, in anticipation of evolving regulatory requirements such as the pending enactment of the revised Markets in Financial Instruments Directive (MiFID II) and related regulation, the risk focus was on client suitability and appropriateness, tax compliance and cross-border business activities.

New credit provisions remained at a low level across both business divisions.

Reputational risk remained a major focus during 2013. Procedures have been improved as well as the awareness of our staff towards reputational risk-related issues. We have continued to adapt our business approach with respect to certain countries and industries with higher reputational risk as well as transactions with politically exposed persons.

The risk appetite framework has been further enhanced for 2014 with improved capital tests capturing additional operational and pension-related risks as well as including additional forward-looking scenarios. These enhancements include position loss triggers allocated to specific business levels and throughout the organization.

## RISK MANAGEMENT OVERSIGHT

### Risk culture

We base our business operations on conscious, disciplined and intelligent risk taking. We believe in independent risk management, compliance and audit processes with proper management accountability for the interests and concerns of our stakeholders.

### Risk governance

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we are working to continuously strengthen our risk function, which is independent of, but closely interacts with, the front office functions to ensure the appropriate flow of information and strong controls. We have comprehensive risk management processes and sophisticated control systems, and we are working to limit the impact of negative developments by carefully managing concentrations of risks.

**Risk organization**

We manage risk in our internal control environment; however, risks arise in all of our business activities and cannot be eliminated completely. Our risk management organization reflects the specific nature of the various risks to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board, including through its committees, this includes the following responsibilities:

- Board: responsible to shareholders for the strategic direction, supervision and control of the Group, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits;
- Risk Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits; and
- Audit Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board in consultation with its Risk Committee. Committees have been established at senior management level to further support the risk management function.

The Capital Allocation & Risk Management Committee (CARMC) reviews risk exposures, concentration risks and risk-related activities on a monthly basis. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Risk Committee and the Board, and for establishing and allocating risk limits among the various businesses. CARMC monthly meetings rotate through the following three cycles: (i) Asset & Liability Management including capital, funding and liquidity; (ii) Market & Credit Risks; and (iii) Internal Control Systems including operational risks, legal and compliance issues and internal control matters. In the Market & Credit Risks cycle, the Credit Portfolio & Provisions Review Committee, a subcommittee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

## Key management bodies and committees


[1] Includes ALM, capital, funding and liquidity [2] Facilitated by the Credit Portfolio & Provisions Review Committee
[3] Includes operational risks, legal and compliance issues and internal control matters [4] Risk Management Committee

The Risk Processes & Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters.

The Reputational Risk & Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks and sustainability issues. There are also divisional risk management committees.

The risk committees are further supported by Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies.

Given the increasingly complex regional regulatory requirements, a dedicated UK CRO function has been developed to ensure risk management is fully integrated at all levels of the organization. As an important contact with UK regulators, the UK CRO is key in ensuring risk management issues are properly escalated and addressed, strong risk controls are established and capital usage is optimized. In addition, a more robust governance framework is being implemented for US operations which includes the appointment of a dedicated US CRO. The development of these functions is key to ensuring the increasingly complex regulatory requirements are fully met in each region.

The risk management function reports to the CRO, who is independent of the business and is a member of the Executive Board. In 2013, the function covered:
- Strategic Risk Management;
- Risk Analytics and Reporting;
- Credit Risk Management;
- Operational Risk Management, including:
  - Business Continuity Management;
  - Technology Risk Management; and
- Reputational Risk Management.

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage all risk management matters through four primary risk functions: Strategic Risk Management assesses the Group's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; Risk Analytics and Reporting is responsible for risk analytics, reporting, systems implementation and policies; Credit Risk Management is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances; Operational Risk Management establishes and maintains Group-wide standards, processes and tools for the identification, assessment, management and monitoring of operational risks. Through Business Continuity Management, Operational Risk Management assesses and manages potential impacts that threaten the organization in case of operational disruption, crisis or disaster; and through Technology Risk Management, Operational Risk Management oversees IT-related risk aspects.

**Risk types**

Within our risk framework, we have defined the following types of risk:

Management risks
- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks
- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between expenses and revenues in a severe market event.

Consequential risks
- Operational risk: inadequate or failed internal processes, people and systems (including cyber risk), or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. Management of strategy risk is addressed at the Board and Executive Board level, and a process has been implemented to globally capture and manage reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregated across all positions and types of financial instruments. For operational risk management, we have primarily set up processes at Group, divisional and regional levels. Liquidity management is centralized with Treasury.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

**Risk appetite and risk limits**

We have a risk appetite framework that establishes key principles for managing our risks to ensure a balance of return and assumed risk, stability of earnings and appropriate capital levels. The key aspect of our risk appetite framework is a sound system of integrated risk limits to control overall risk taking capacity and serve as an essential decision-making tool for senior management. Our risk appetite framework is guided by the following general principles:
- managing the business to a target credit rating;
- meeting regulatory requirements and expectations;
- ensuring capital adequacy;
- maintaining low exposure to stress events;
- maintaining stability of earnings; and
- ensuring sound management of liquidity and funding risk.

Risk appetite is annually reviewed and determined by the Board, taking into account strategic and business planning, and enforced by a detailed framework of portfolio and position limits, guidelines and targets at both the Group and divisional levels as well as for certain legal entities. Risk appetite is defined in quantitative terms using risk limits and tolerance levels, capital ratios, scenario results as well as risk-weighted assets and balance sheet size.

The following chart gives an overview of the Group's risk appetite framework reflecting selected Group-wide and division-specific quantitative and qualitative elements.

## Risk appetite framework

| | Group-wide | Division-specific | |
| --- | --- | --- | --- |
| | | Private Banking & Wealth Management | Investment Banking |
| Selected quantitative elements | – Economic capital limits<br>– Liquidity ratios<br>– Leverage ratios<br>– Scenario loss limits<br>– Risk-weighted assets<br>– Balance sheet size | – Economic capital limits<br>– Market risk limits<br>– Credit risk limits<br>– Operational risk tolerance levels | |
| Selected qualitative elements | – Compliance with international and local laws<br>– Reputational risk | – Avoidance of concentration risks<br>– Adherence to suitability & appropriateness requirements<br>– Compliance with industry guidelines and internal policies | |

A sound system of risk limits is fundamental to effective risk management. The limits define our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

We use an economic capital limit structure to manage overall risk taking. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstances where a breach of these limits would occur, it would result in an immediate notification to the Chairman of the Board's Risk Committee and the CEO of the Group, and written notification to the full Board at its next meeting. Following notification, the CRO can approve positions that exceed the Board limits by no more than an approved percentage, with any such approval being reported to the full Board. Positions that exceed the Board limits by more than such approved percentage can only be approved by the CRO and the full Board acting jointly. In 2013 and 2012, no Board limits were exceeded.

In the context of the overall risk appetite of the Group, as defined by the limits set by the Board, CARMC is responsible for setting divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. For this purpose, a detailed framework of more than 100 individual risk limits designed to control risk taking at a granular level by individual businesses and in the aggregate is used. Limit measures used include VaR, economic capital, risk exposure, risk sensitivity and scenario analysis. The framework encompasses specific limits on a large number of different product and risk type concentrations. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money and emerging market country exposures. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set at a tight level to ensure that any meaningful increase in risk exposures is promptly escalated. The head of Strategic Risk Management for the relevant division or certain other members of senior management have the authority to temporarily increase the CARMC limits by an approved percentage for a period not to exceed 90 days. Any CARMC limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller subset of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2013, 97% of all limit excesses were resolved within the approved standard period.

## STRESS TESTING FRAMEWORK

Stress testing is a fundamental element of our Group-wide risk appetite framework included in the overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, in risk appetite discussions and strategic business planning, and to support our internal capital adequacy assessment.

Our stress testing framework is comprehensive and governed through a dedicated steering committee. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management, the business divisions and regulators.

Stress tests are carried out to determine stressed position loss, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market risk, credit default, operational risk, business risk and pension risk. The stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality (SFTQ) is our main scenario used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The SFTQ scenario assumes a severe market crash in equity and commodity markets, along with a widening of credit spreads and stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. A Risk Council comprised of internal economists, front office and representatives of the Risk division discusses the backdrop to several forward-looking scenarios. The Risk Council reviews a wide range of scenarios and selects those that are most pertinent to agree on key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, Middle East conflict and the impact of monetary policy changes by central banks. The scenarios are reviewed and updated regularly as markets and business strategies evolve.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Stress testing is also used to support our internal capital adequacy assessment. Within the risk appetite framework, the Board sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of Basel III CET1 capital and look-through capital ratios.

Stress tests also form an integral part of the Group's RRP. Within the RRP, stress tests provide indicative scenario severity required to reach recovery and resolution capital levels.

▸ Refer to "Regulation and supervision" in I – Information on the company for information on regulatory developments regarding RRPs.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various periodic stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis.

## ECONOMIC CAPITAL AND POSITION RISK

### Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating). It also provides a common terminology for risk across the Group, which increases risk transparency and improves knowledge sharing. The development and use of economic capital methodologies and models have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

Under Pillar 2 of the Basel framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar 2, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). Position risk is used to assess, monitor and report risk exposures throughout the Group;
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given

small probability (0.03%). Estimating this type of economic capital is inherently more subjective and reflects quantitative tools and senior management judgment; and

- Other risks: the risks not captured by the above, which primarily includes expense risk, pension risk, impact from deferred share-based compensation awards, foreign exchange risk between economic capital resources and utilized economic capital and risk on real estate held for own use. Expense risk is defined as the difference between expenses and revenues in a severe market event, excluding those elements captured by position risk and operational risk. Pension risk is defined as the potential under-funding of our pension obligations in an extreme event.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In response to economic realities, we modify our economic capital model in advance of regulatory changes. For example, requirements such as capital charges equivalent to an IRC and CVA were an integral part of our economic capital model prior to the 2008 financial crisis.

In 2013, we made the following enhancements to the position risk methodology for risk management purposes: In fixed income trading, we improved the modeling of interest rate options and for our non-recourse lending business, we refined the modeling of our equity-based collateral to better capture the market risk associated with liquidating the collateral in a stressed environment.

Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total net impact of 2013 methodology changes on position risk for the Group as of December 31, 2012 was a decrease of CHF 147 million, or 1%.

For utilized economic capital used for capital management purposes, in addition to adopting the above position risk methodology changes, we made the following enhancements:

- for other risks, we recalibrated our model reserve component to capture certain market risks not included in the position risk framework; this included credit concentration exposures with global systemically important financial institutions and reflected an estimate of the impact of the planned recalibration of our expense risk model shocks; simultaneously with the methodology change on position risk for non-recourse lending we reversed our previously budgeted estimate for this planned methodology change as reflected in other risks; and
- for operational risk, we increased our operational risk capital by 4% in order to reflect revised expected impacts from the ongoing modeling review, now scheduled to conclude in early 2014. This increase was in addition to the 20% increase in operational risk capital in 2012, when, following discussions with FINMA, we initiated a project to enhance our economic capital/AMA methodology to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance.

Prior-period balances have been restated for 2013 methodology changes in order to show meaningful trends. The net impact of all methodology changes on utilized economic capital for the Group as of December 31, 2012 was a net increase of CHF 905 million, or 3%.

For economic capital resources, in connection with the implementation of Basel III, we recalibrated the definition of our economic capital resources. Economic capital adjustments are applied to Look-through CET1 capital under Basel III. Previously, we applied the economic capital adjustments to tier 1 capital under the then-applicable Basel II.5 framework. We have also recalibrated our economic adjustments. The net impact of the change on economic capital resources for the Group as of December 31, 2012 was a decrease of CHF 13.8 billion, or 30%, primarily driven by the exclusion of hybrid capital instruments under Basel III, adjustments with respect to pension assets and liabilities and changes to the recognition of deferred tax assets, partially offset by the inclusion of high-trigger capital instruments.

## Group position risk

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 3,318 | 2,489 | 2,881 | 33 | (14) |
| Equity trading & investments | 1,715 | 1,893 | 2,188 | (9) | (13) |
| Private banking corporate & retail lending | 2,350 | 2,382 | 2,182 | (1) | 9 |
| International lending & counterparty exposures | 4,957 | 4,260 | 4,009 | 16 | 6 |
| Emerging markets country event risk | 1,412 | 1,041 | 860 | 36 | 21 |
| Real estate & structured assets [2] | 1,862 | 1,985 | 2,157 | (6) | (8) |
| **Simple sum across risk categories** | **15,614** | **14,050** | **14,277** | 11 | (2) |
| Diversification benefit [3] | (3,571) | (2,820) | (2,660) | 27 | 6 |
| **Position risk (99% confidence level for risk management purposes)** | **12,043** | **11,230** | **11,617** | 7 | (3) |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange and commodity exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

**Key position risk trends**

Compared to the end of 2012, position risk for risk management purposes increased 7%. Excluding the US dollar translation impact, position risk increased 10%, mainly due to higher foreign exchange, interest rate and credit spread exposure in fixed income trading as well as new loan commitments and increased counterparty risk in Investment Banking for international lending & counterparty exposures. Position risk also increased due to increased exposures in Eastern Europe in emerging markets country event risk. These increases were partially offset by reduced exposures in equity trading & investments due to private equity sales.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | | Group | | | Bank [1] |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | % change | **2013** | 2012 | % change |
| **Economic capital resources (CHF million)** | | | | | | |
| Look-through CET1 capital (Basel III) | 26,480 | 22,690 | 17 | 23,623 | 14,653 | 61 |
| Economic adjustments [2] | 11,464 | 9,391 | 22 | 12,566 | 10,744 | 17 |
| **Economic capital resources** | **37,944** | **32,081** | 18 | **36,189** | **25,397** | 42 |
| **Utilized economic capital (CHF million)** | | | | | | |
| Position risk (99.97% confidence level) | 21,262 | 19,798 | 7 | 21,114 | 19,642 | 7 |
| Operational risk | 4,195 | 4,093 | 2 | 4,195 | 4,093 | 2 |
| Other risks [3] | 6,821 | 7,210 | (5) | 4,743 | 5,143 | (8) |
| **Utilized economic capital** | **32,278** | **31,101** | 4 | **30,052** | **28,878** | 4 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

1 The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks.

2 Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets, adjustments to treatment of pensions and anticipated capital-relevant dividends. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

3 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain methodology changes planned for 2014.

## Economic capital by segment

| in / end of | **2013** | 2012 | % change |
|---|---|---|---|
| **Utilized economic capital by segment (CHF million)** | | | |
| Private Banking & Wealth Management | 9,200 | 9,646 | (5) |
| Investment Banking | 20,852 | 19,232 | 8 |
| Corporate Center [1] | 2,244 | 2,242 | 0 |
| **Utilized economic capital – Group** [2] | **32,278** | **31,101** | 4 |
| **Utilized economic capital – Bank** [3] | **30,052** | **28,878** | 4 |
| **Average utilized economic capital by segment (CHF million)** | | | |
| Private Banking & Wealth Management | 9,554 | 9,965 | (4) |
| Investment Banking | 19,910 | 20,241 | (2) |
| Corporate Center [1] | 2,250 | 2,438 | (8) |
| **Average utilized economic capital – Group** [4] | **31,695** | **32,626** | (3) |
| **Average utilized economic capital – Bank** [3] | **29,464** | **30,206** | (2) |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

1 Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

2 Includes a diversification benefit of CHF 18 million and CHF 19 million as of December 31, 2013 and 2012, respectively.

3 The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks.

4 Includes a diversification benefit of CHF 19 million and CHF 18 million as of December 31, 2013 and 2012, respectively.

**Utilized economic capital trends**

Over the course of 2013, our utilized economic capital increased 4%. Excluding the US dollar translation impact, utilized economic capital increased 6%, mainly due to increased position risk in international lending & counterparty exposures, fixed income trading and emerging markets country event risk, partially offset by reduced equity trading & investments risk.

For Private Banking & Wealth Management, utilized economic capital decreased 5%, mainly due to lower position risk in equity trading & investments and private banking corporate & retail lending, partially offset by increased deferred share-based compensation awards in other risks.

For Investment Banking, utilized economic capital increased 8%. Excluding the US dollar translation impact, utilized economic capital increased 11%, largely due to increased position risk in international lending & counterparty exposures, fixed income trading and emerging markets country event risk. The increases were partially offset by decreased deferred share-based compensation awards in other risks.

Corporate Center utilized economic capital was stable as an increase in foreign exchange risk between economic capital resources and utilized economic capital was largely offset by lower expense risk.

## MARKET RISK

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to ensuring that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement methodologies are VaR and scenario analysis. Additionally, our market risk exposures are reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

With changes in the regulatory framework over the past years, we have implemented additional risk measurement models, including IRC and stressed VaR. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

**VaR**

VaR measures the potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatilities serve as the basis for the statistical VaR model underlying the potential loss estimation. We use a one-day holding period and a confidence level of 98% to model the risk in our trading portfolios for internal risk management purposes and a ten-day holding period and a confidence level of 99% for regulatory capital purposes. These assumptions are compliant with the standards published by the BCBS and other related international standards for market risk management. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are calculated based on a one-day holding period level or scaled down from a longer holding period.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatilities applied to evaluate the portfolio.

We use the same VaR model for risk management and regulatory capital purposes, except for the confidence level and holding period used. We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio, and in 2011 significantly enhanced our VaR methodology, including use of exponential weighting and expected shortfall equivalent measures, for both risk management VaR and regulatory VaR. The revised VaR methodology captured extreme events more completely and improved the responsiveness of the model to market volatility. We received approval from FINMA to use this revised VaR methodology for both risk management and regulatory capital purposes.

In the fourth quarter of 2013, we updated our VaR models to better reflect that borrowing costs may differ from the risk-free rate when calculating forward equity prices and to better capture the volatility skew risk for foreign exchange products. In the second quarter of 2012 we made asset-class methodology changes to better capture complex risks for exotic rate products. This was not a change to our overall VaR model or methodology, but rather an adjustment to the specific risk-capture approach for a certain class of instruments, predominantly comprising options portfolios with embedded interest rate and/or foreign exchange features. The cumulative impact of these updates and adjustments on our principal VaR measures was immaterial and prior periods have not been restated.

We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a specified confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model (often because underlying instruments have only traded for a limited time). Where we do not have sufficient market data, either market data proxies or extreme moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy are available, extreme moves are used. Extreme moves are aggregated assuming a conservative 100% correlation. Risks that are not currently implemented within the Group's VaR model such as certain basis risks, higher order risks and cross risks are captured through RNIV calculations.

We use a risk factor identification process to ensure that risk is identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. Through this process, risks that are not yet captured in the VaR model or the RNIV framework are identified. A plan for including these risks in one or the other framework can then be devised. The RNIV identified by the risk factor identification process is also captured in our economic capital framework.

Like other sophisticated models, the Group's VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended.

We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, the VaR Governance Steering Committee meets regularly to review model performance and approve any new or amended models.

**Scenario analysis**

Scenario analysis complements statistical-based risk measures such as VaR and Economic Capital. For example, scenarios are customized with longer horizons than the ones used in statistical-based risk measures to capture market liquidity. Scenarios are also customized to run against agreed limits where the materiality of stressed exposures warrants closer monitoring.

Our scenario analysis also enhances periodic exposure reporting by providing a view of how risk could change under severe market conditions. For example, sensitivities are computed post a large market shock scenario. Scenarios are also used to capture the cross impacts between risk factors under stressed market conditions to complement basis risks captured by other risk measures. Scenarios are further used to assess the impact of more extreme parameters used by other risk measures. For example, market volatility and credit default parameters in risk-weighted asset models are stressed to assess capital requirements under extreme conditions.

### Trading portfolios

#### Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking division. Our other divisions also engage in trading activities, but to a much lesser extent.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for regulatory capital purposes. This classification of assets as trading is done for the purposes of analyzing our market risk exposure, not for financial statement purposes. Our trading portfolio as determined for risk management purposes primarily includes a majority of the balance sheet items trading assets and trading liabilities, and selected fair-valued positions of investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

### One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversi- fication benefit | **Total** | **Total** |
| **2013 (CHF million)** | | | | | | | | |
| Average | 18 | 35 | 9 | 2 | 16 | (40) | 40 | 39 |
| Minimum | 8 | 30 | 3 | 1 | 11 | – [1] | 33 | 22 |
| Maximum | 45 | 41 | 24 | 4 | 36 | – [1] | 55 | 77 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 | 31 |
| **2012 (CHF million)** | | | | | | | | |
| Average | 29 | 47 | 13 | 3 | 22 | (47) | 67 | 57 |
| Minimum | 15 | 36 | 3 | 1 | 14 | – [1] | 34 | 34 |
| Maximum | 43 | 67 | 34 | 7 | 35 | – [1] | 104 | 89 |
| End of period | 27 | 36 | 12 | 2 | 17 | (54) | 40 | 52 |
| **2011 (CHF million)** | | | | | | | | |
| Average | 30 | 66 | 13 | 10 | 23 | (67) | 75 | 94 |
| Minimum | 21 | 46 | 5 | 2 | 14 | – [1] | 54 | 49 |
| Maximum | 43 | 92 | 25 | 26 | 47 | – [1] | 107 | 161 |
| End of period | 32 | 62 | 12 | 4 | 25 | (61) | 74 | 79 |

Excludes risks associated with counterparty and own credit exposures.

[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Risk management VaR (98%) Diversi-fication benefit | Risk management VaR (98%) Total | Regulatory VaR (99%) Total |
|---|---|---|---|---|---|---|---|---|
| **2013 (USD million)** | | | | | | | | |
| Average | 19 | 38 | 10 | 2 | 17 | (43) | 43 | 42 |
| Minimum | 9 | 32 | 3 | 1 | 12 | –[1] | 34 | 24 |
| Maximum | 49 | 44 | 25 | 4 | 38 | –[1] | 58 | 83 |
| End of period | 11 | 36 | 7 | 3 | 27 | (33) | 51 | 35 |
| **2012 (USD million)** | | | | | | | | |
| Average | 31 | 51 | 14 | 3 | 23 | (63) | 59 | 61 |
| Minimum | 16 | 39 | 3 | 1 | 15 | –[1] | 36 | 37 |
| Maximum | 47 | 73 | 38 | 8 | 37 | –[1] | 88 | 97 |
| End of period | 29 | 39 | 13 | 2 | 18 | (57) | 44 | 57 |
| **2011 (USD million)** | | | | | | | | |
| Average | 34 | 74 | 14 | 11 | 26 | (74) | 85 | 105 |
| Minimum | 23 | 60 | 6 | 2 | 15 | –[1] | 65 | 55 |
| Maximum | 49 | 99 | 29 | 27 | 51 | –[1] | 117 | 177 |
| End of period | 34 | 66 | 13 | 4 | 27 | (65) | 79 | 84 |

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

### Development of trading portfolio risks

The tables entitled "One-day, 98% risk management VaR and one-day, 99% regulatory VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR and 99% regulatory VaR. VaR has been calculated using a two-year historical dataset. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 98th percentile loss for risk management VaR and the 99th percentile loss for regulatory VaR, respectively, for each individual risk type and for the total portfolio.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR in 2013 decreased 27% from 2012 to USD 43 million. The decrease was driven by risk reduction in both fixed income and equities, particularly in securitized and credit products, US and European interest rate products and cash equities, and lower market volatility, partially offset by reduced portfolio diversification benefit.

Period-end risk management VaR as of December 31, 2013 increased 16% to USD 51 million compared to December 31, 2012, reflecting increased equity exposures and reduced portfolio diversification benefit, partially offset by lower interest rate and foreign exchange exposures.

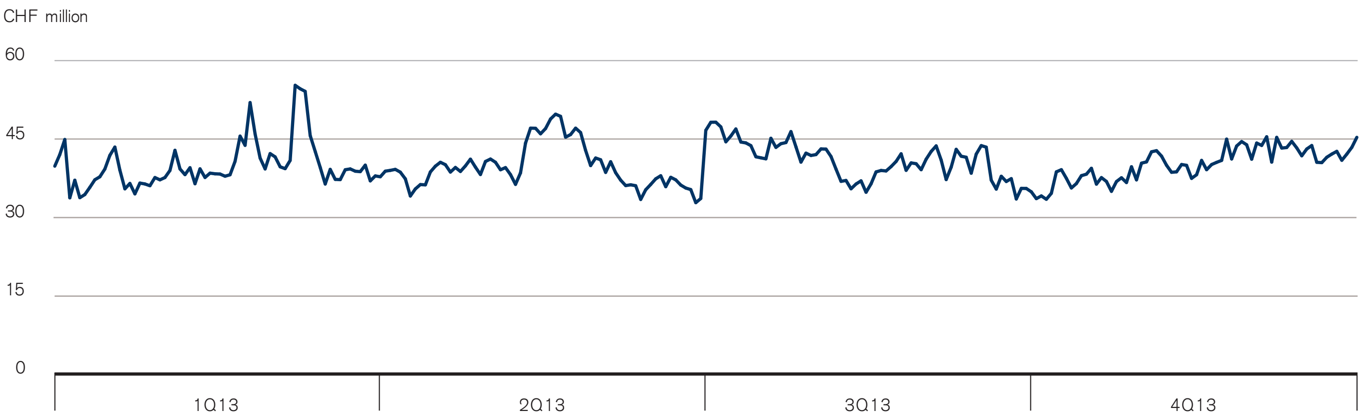
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in the 12-month periods ending December 31, 2013, 2012 and 2011. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2013, 2012 and 2011, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to "Regulatory capital framework" in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

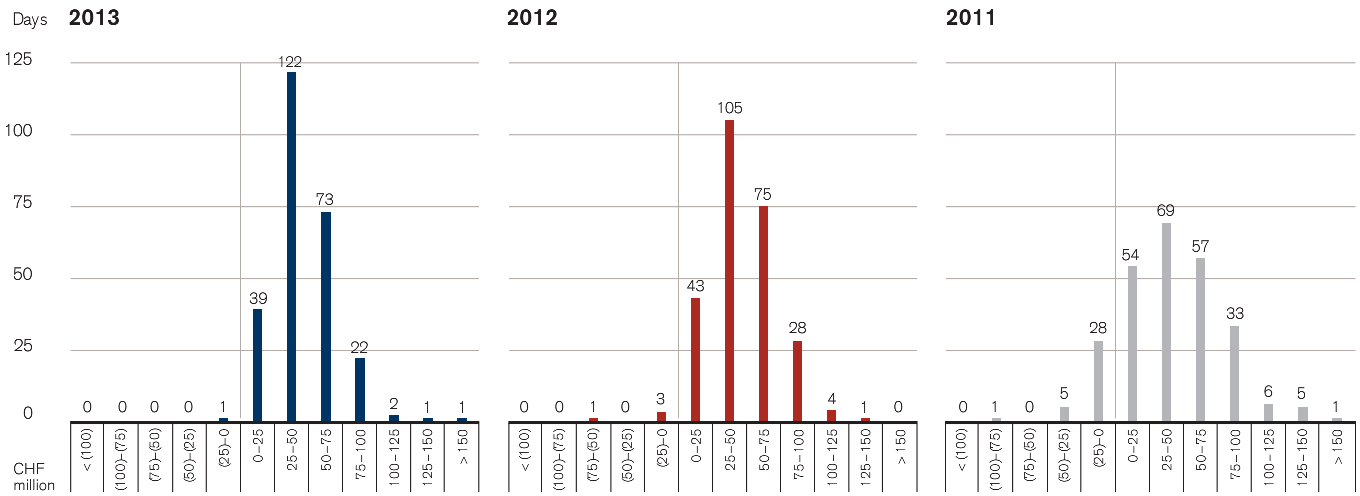
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2013 with those for 2012 and 2011. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2013, we had one trading loss day with a trading loss not exceeding CHF 25 million, compared to four trading loss days in 2012 with one trading loss exceeding CHF 25 million.

## Daily risk management VaR




— One-day risk management VaR (98%)
Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking portfolios

#### Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks. Our non-trading portfolios as determined for risk management purposes include a majority of the balance sheet items loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, and other assets and liabilities not included in the trading portfolio.

The market risk associated with the non-trading portfolios is measured, monitored and limited using several tools, including economic capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings.

#### Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of CHF 8.5 million as of December 31, 2013, compared to an increase of CHF 9.4 million as of December 31, 2012. The decrease from 2012 was mainly due to the issuance of new tier 1 and tier 2 capital instruments and related hedges in the third and fourth quarter of 2013. Additional decreases were related to the call of a tier 1 hybrid instrument and the lower average duration of outstanding instruments.

### One basis point parallel increase in yield curves by currency – non-trading positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (1.1) | 7.0 | 2.2 | 0.0 | 0.4 | 8.5 |
| **2012 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (1.9) | 9.0 | 1.8 | 0.0 | 0.5 | 9.4 |

Non-trading interest rate risk is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves (as interest rates are currently very low, the downward changes are capped to ensure that the resulting interest rates remain non-negative).

### Interest rate sensitivity – non-trading positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| Increase(+)/decrease(–) in interest rates | | | | | | |
| +200 basis points | (169) | 1,350 | 428 | (100) | 80 | 1,589 |
| +100 basis points | (100) | 687 | 215 | (24) | 40 | 818 |
| –100 basis points | 225 | (690) | (155) | (22) | (32) | (674) |
| –200 basis points | 289 | (1,150) | (160) | (88) | (63) | (1,172) |
| **2012 (CHF million)** | | | | | | |
| Increase(+)/decrease(–) in interest rates | | | | | | |
| +200 basis points | (308) | 1,718 | 591 | (119) | 78 | 1,960 |
| +100 basis points | (172) | 884 | 238 | (29) | 38 | 959 |
| –100 basis points | 285 | (854) | (78) | (24) | (33) | (704) |
| –200 basis points | 347 | (1,013) | 1 | (111) | (61) | (837) |

As of December 31, 2013, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 1.2 billion compared to a loss of CHF 0.8 billion as of December 31, 2012. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2013 and 2012, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period with a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in private equity, hedge funds, strategic investments and other instruments managed by Investment Banking. These positions may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of CHF 474 million in the value of the non-trading portfolio as of December 31, 2013, compared to a decrease of CHF 681 million in the value of the non-trading portfolio as of December 31, 2012.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of CHF 0.2 million in the value of the non-trading portfolio as of December 31, 2013, compared to a decrease of CHF 0.6 million as of December 31, 2012.

#### Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2013, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would result in a CHF 0.5 million gain on the overall derivatives position in Investment Banking. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would result in a CHF 5.2 million gain as of December 31, 2013.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

#### Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, irrevocable commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

**Credit risk management approach**
Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:
- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and risk-weighted assets, a PD is assigned to each facility. For corporate & institutional counterparties excluding corporates managed on the Swiss platform, the PD is determined by the internal credit rating. For these client segments, internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research, and the judgment of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value (LTV) ratio and the borrower's income level for mortgage lending and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating.

We assign an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the LGD assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. We use credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. The overall internal credit rating system has been approved by FINMA for application of the A-IRB approach under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure or non-interest-earning exposure, and the exposures are generally managed within credit recovery units. The Credit Portfolio and Provisions Review Committee regularly determines the adequacy of allowances.

**Risk mitigation**
We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by:
- legal documentation that is agreed with our counterparties; and
- an internally independent collateral management function.

For our trading portfolio, the valuation of the collateral portfolio is performed as per the availability of independent market data, generally daily for traded products. Exceptions are governed by the calculation frequency described in the legal documentation. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

### Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges.

## Credit risk

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Credit risk (CHF million)** | | | |
| **Balance sheet** | | | |
| Gross loans | 248,014 | 243,204 | 2 |
| of which reported at fair value | 19,457 | 20,000 | (3) |
| Loans held-for-sale | 18,914 | 19,894 | (5) |
| Traded loans | 6,397 | 4,282 | 49 |
| Derivative instruments [1] | 33,665 | 37,138 | (9) |
| **Total balance sheet** | **306,990** | **304,518** | 1 |
| **Off-balance sheet** | | | |
| Irrevocable loan commitments [2] | 96,990 | 100,219 | (3) |
| Credit guarantees and similar instruments | 4,916 | 12,587 | (61) |
| Irrevocable commitments under documentary credits | 5,512 | 6,258 | (12) |
| **Total off-balance sheet** | **107,418** | **119,064** | (10) |
| **Total credit risk** | **414,408** | **423,582** | (2) |

Before risk mitigation, for example, collateral and credit hedges.

[1] Positive replacement value after netting agreements.

[2] Irrevocable loan commitments do not include unused credit limits which are revocable at our sole discretion upon notice to the client. Prior periods have been adjusted to the current presentation.

As of December 31, 2013 and 2012, loans held-for-sale included CHF 308 million and CHF 554 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 1,240 million and CHF 1,183 million, respectively, of low grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 769 million and CHF 383 million as of December 31, 2013 and 2012, respectively.

### Loans and irrevocable loan commitments

Loans which we have the intention and ability to hold to maturity are valued at amortized cost less any allowance for loan losses. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client. Loans and irrevocable loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues.

## Loans and irrevocable loan commitments

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Loans and irrevocable loan commitments (CHF million)** | | | |
| Gross loans | 248,014 | 243,204 | 2 |
| of which Private Banking & Wealth Management | 216,499 | 208,526 | 4 |
| of which Investment Banking | 31,490 | 34,658 | (9) |
| Irrevocable loan commitments | 96,990 | 100,219 | (3) |
| **Total loans and irrevocable loan commitments** | **345,004** | **343,423** | 0 |
| of which Private Banking & Wealth Management | 226,615 | 217,704 | 4 |
| of which Investment Banking | 118,365 | 125,701 | (6) |

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

The following tables illustrate the effects of risk mitigation through cash collateral, marketable securities and credit hedges on a combined exposure of loans and irrevocable loan commitments.

## Loans and irrevocable loan commitments – Private Banking & Wealth Management

| end of | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| Internal ratings | Gross exposure | Cash and securities [1] | **Net exposure** | Gross exposure | Cash and securities [1] | **Net exposure** |
| **Risk mitigation (CHF million)** | | | | | | |
| AAA | 2,364 | (54) | 2,310 | 1,183 | (8) | 1,175 |
| AA | 6,307 | (495) | 5,812 | 2,497 | (89) | 2,408 |
| A | 29,176 | (4,143) | 25,033 | 18,922 | (898) | 18,024 |
| BBB | 127,864 | (38,292) | 89,572 | 131,648 | (41,266) | 90,382 |
| BB | 54,375 | (4,273) | 50,102 | 57,193 | (5,327) | 51,866 |
| B | 5,068 | (500) | 4,568 | 4,623 | (473) | 4,150 |
| CCC | 167 | (2) | 165 | 231 | (6) | 225 |
| CC | 14 | 0 | 14 | 48 | (1) | 47 |
| C | 126 | 0 | 126 | 0 | 0 | 0 |
| D | 1,154 | (137) | 1,017 | 1,359 | (121) | 1,238 |
| **Total loans and irrevocable loan commitments** | **226,615** | **(47,896)** | **178,719** [2] | **217,704** | **(48,189)** | **169,515** [3] |

Includes undrawn irrevocable credit facilities. Does not include unused credit limits which are revocable at our sole discretion upon notice to the client. Prior periods have been adjusted to the current presentation.

[1] Cash collateral and marketable securities.

[2] In addition, we had a synthetic collateralized loan portfolio, the Clock Finance 2013 transaction, which effectively transferred the mezzanine tranche credit risk in excess of 1% up to a maximum of 6% on a portfolio of originated loans of CHF 5.0 billion at closing within Corporate & Institutional Clients to capital market investors.

[3] In addition, we had a synthetic collateralized loan portfolio, the Clock Finance transaction, which effectively transferred the first loss credit risk on a portfolio of originated loans of CHF 4.8 billion at closing within Corporate & Institutional Clients to capital market investors.

## Loans and irrevocable loan commitments – Investment Banking

| end of | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| Internal ratings | Gross exposure | Risk mitigation [1] | **Net exposure** | Gross exposure | Risk mitigation [1] | **Net exposure** |
| **Risk mitigation (CHF million)** | | | | | | |
| AAA | 2,759 | (4) | 2,755 | 6,529 | (72) | 6,457 |
| AA | 17,385 | (2,288) | 15,097 | 16,774 | (1,672) | 15,102 |
| A | 29,727 | (7,816) | 21,911 | 29,348 | (5,109) | 24,239 |
| BBB | 31,890 | (4,840) | 27,050 | 31,092 | (10,682) | 20,410 |
| BB | 16,843 | (3,772) | 13,071 | 18,044 | (2,316) | 15,728 |
| B | 17,877 | (2,423) | 15,454 | 21,682 | (3,121) | 18,561 |
| CCC | 838 | (312) | 526 | 1,100 | (249) | 851 |
| CC | 433 | (9) | 424 | 18 | (18) | 0 |
| C | 2 | 0 | 2 | 188 | (19) | 169 |
| D | 611 | (79) | 532 | 926 | (390) | 536 |
| **Total loans and irrevocable loan commitments** | **118,365** | **(21,543)** | **96,822** | **125,701** | **(23,648)** | **102,053** |

Includes undrawn irrevocable credit facilities.

[1] Credit hedges, cash collateral and marketable securities.

### Loss given default

The Private Banking & Wealth Management LGD measurement takes into account collateral pledged against the exposure and guarantees received, with the exposure adjusted for risk mitigation. The concentration in BBB and BB rated counterparties with low LGD exposure largely reflects the Private Banking & Wealth Management residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received. The LGD measurement system is validated by an internally independent function on a regular basis and has been approved by the regulatory authorities for application in the A-IRB approach under the Basel framework.

The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking & Wealth Management and Investment Banking.

## Loans – Private Banking & Wealth Management

| end of 2013 | | | Loss given default buckets | | | | | |
|---|---|---|---|---|---|---|---|---|
| Internal ratings | Funded gross exposure | Funded net exposure | 0–10% | 11–20% | 21–40% | 41–60% | 61–80% | 81–100% |
| **Loss given default (CHF million)** | | | | | | | | |
| AAA | 2,362 | 2,308 | 266 | 300 | 1,136 | 606 | 0 | 0 |
| AA | 5,729 | 5,298 | 449 | 2,044 | 2,288 | 514 | 2 | 1 |
| A | 28,558 | 24,417 | 3,791 | 13,696 | 4,929 | 1,924 | 73 | 4 |
| BBB | 122,554 | 84,770 | 11,996 | 45,206 | 21,893 | 4,788 | 259 | 628 |
| BB | 51,084 | 46,914 | 8,319 | 15,203 | 18,057 | 4,512 | 477 | 346 |
| B | 4,757 | 4,261 | 1,296 | 742 | 1,732 | 480 | 10 | 1 |
| CCC | 165 | 164 | 35 | 37 | 55 | 11 | 0 | 26 |
| CC | 14 | 14 | 0 | 0 | 0 | 14 | 0 | 0 |
| C | 125 | 125 | 0 | 0 | 0 | 125 | 0 | 0 |
| D | 1,151 | 1,014 | 78 | 231 | 322 | 343 | 12 | 28 |
| **Total loans** | **216,499** | **169,285** | **26,230** | **77,459** | **50,412** | **13,317** | **833** | **1,034** |

As of December 31, 2013, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 96.6 billion had an LTV ratio below 80%. As of December 31, 2012, 96% of the corresponding loan portfolio of CHF 93.2 billion had an LTV ratio below 80%. For the Swiss residential mortgage loans originated in 2013 and 2012, the average LTV ratio was below 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

## Loans – Investment Banking

| end of 2013 | | | Loss given default buckets | | | | | |
|---|---|---|---|---|---|---|---|---|
| Internal ratings | Funded gross exposure | Funded net exposure | 0–10% | 11–20% | 21–40% | 41–60% | 61–80% | 81–100% |
| **Loss given default (CHF million)** | | | | | | | | |
| AAA | 1,031 | 1,031 | 0 | 0 | 0 | 1,031 | 0 | 0 |
| AA | 1,228 | 1,062 | 0 | 0 | 341 | 721 | 0 | 0 |
| A | 4,400 | 3,068 | 2 | 0 | 157 | 2,907 | 2 | 0 |
| BBB | 7,022 | 4,926 | 352 | 8 | 1,314 | 2,713 | 539 | 0 |
| BB | 8,416 | 5,373 | 140 | 81 | 2,499 | 2,634 | 19 | 0 |
| B | 7,883 | 5,902 | 384 | 502 | 2,118 | 2,793 | 105 | 0 |
| CCC | 522 | 233 | 31 | 26 | 96 | 80 | 0 | 0 |
| CC | 379 | 374 | 22 | 0 | 222 | 130 | 0 | 0 |
| D | 609 | 530 | 64 | 0 | 125 | 336 | 5 | 0 |
| **Total loans** | **31,490** | **22,499** | **995** | **617** | **6,872** | **13,345** | **670** | **0** |

## Loans

Compared to the end of 2012, gross loans increased 2% to CHF 248.0 billion. An increase in Private Banking & Wealth Management of 4% to CHF 216.5 billion was primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact, a decrease in consumer finance and the reclassification of the loans relating to our domestic private banking business booked in Germany. In Investment Banking, a decrease of 9% to CHF 31.5 billion was related to lower loans to financial institutions and consumer finance and the US dollar translation impact, partially offset by higher loans to governments and public institutions, commercial and industrial loans and loans to the real estate sector.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

### Impaired loans

Gross impaired loans decreased 14% to CHF 1.5 billion as of the end of 2013 driven by decreases in potential problem loans and non-interest-earning loans across the Group.

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

#### Allowance for loan losses

We maintain valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses inherent in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. The allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

#### Allowance for inherent loan losses

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking & Wealth Management lending portfolio are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate inherent losses. Inherent losses on loans are estimated based on historical loss and recovery experience and recorded in allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

### Provision for credit losses

Net provision for credit losses charged to the consolidated statements of operations in 2013 was CHF 167 million, compared to a net provision of CHF 170 million in 2012.

In Private Banking & Wealth Management, the net provision for credit losses in 2013 was CHF 152 million, compared to CHF 182 million in 2012, primarily reflecting lower new provisions in 2013.

In Investment Banking, the net provision for credit losses in 2013 was CHF 13 million, compared to a net release of provision of CHF 12 million in 2012. In 2012, releases of provisions and recoveries were higher than new provisions for the year.

## Loans

| end of | Private Banking & Wealth Management 2013 | 2012 | Investment Banking 2013 | 2012 | Credit Suisse [1] 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Loans (CHF million)** | | | | | | |
| Mortgages | 94,978 | 91,872 | 0 | 0 | 94,978 | 91,872 |
| Loans collateralized by securities | 31,565 | 27,363 | 0 | 0 | 31,565 | 27,363 |
| Consumer finance | 5,672 | 6,290 | 266 | 611 | 5,938 | 6,901 |
| Consumer | 132,215 | 125,525 | 266 | 611 | 132,481 | 126,136 |
| Real estate | 26,557 | 25,253 | 755 | 548 [2] | 27,312 | 25,801 [2] |
| Commercial and industrial loans | 48,953 | 48,860 | 14,356 | 14,148 [2] | 63,334 | 63,028 [2] |
| Financial institutions | 7,538 | 7,616 | 14,302 | 18,286 [2] | 21,840 | 25,902 [2] |
| Governments and public institutions | 1,236 | 1,272 | 1,811 | 1,065 [2] | 3,047 | 2,337 [2] |
| Corporate & institutional | 84,284 [3] | 83,001 [3] | 31,224 | 34,047 | 115,533 | 117,068 |
| **Gross loans** | **216,499** | **208,526** | **31,490** | **34,658** | **248,014** | **243,204** |
| of which reported at fair value | 226 | 257 | 19,231 | 19,743 | 19,457 | 20,000 |
| Net (unearned income) / deferred expenses | (71) | (39) | (20) | (20) | (91) | (59) |
| Allowance for loan losses [4] | (715) | (785) | (151) | (137) | (869) | (922) |
| **Net loans** | **215,713** | **207,702** | **31,319** | **34,501** | **247,054** | **242,223** |
| **Impaired loans (CHF million)** | | | | | | |
| Non-performing loans | 608 | 604 | 251 | 255 | 862 | 859 |
| Non-interest-earning loans | 280 | 309 | 1 | 4 | 281 | 313 |
| Total non-performing and non-interest-earning loans | 888 | 913 | 252 | 259 | 1,143 | 1,172 |
| Restructured loans | 6 | 0 | 0 | 30 | 6 | 30 |
| Potential problem loans | 340 | 513 | 0 | 14 | 340 | 527 |
| Total other impaired loans | 346 | 513 | 0 | 44 | 346 | 557 |
| **Gross impaired loans [4]** | **1,234** | **1,426** | **252** | **303** | **1,489** | **1,729** |
| of which loans with a specific allowance | 1,165 | 1,307 | 244 | 204 | 1,412 | 1,511 |
| of which loans without a specific allowance | 69 | 119 | 8 | 99 | 77 | 218 |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period [4]** | **785** | **743** | **137** | **167** | **922** | **910** |
| Changes in scope of consolidation | (1) | 0 | 0 | (18) | (1) | (18) |
| Net movements recognized in statements of operations | 152 | 171 | 11 | (12) | 166 | 159 |
| Gross write-offs | (278) | (180) | (8) | (21) | (286) | (201) |
| Recoveries | 47 | 34 | 7 | 10 | 54 | 44 |
| Net write-offs | (231) | (146) | (1) | (11) | (232) | (157) |
| Provisions for interest | 13 | 13 | 13 | 16 | 26 | 29 |
| Foreign currency translation impact and other adjustments, net | (3) | 4 | (9) | (5) | (12) | (1) |
| **Balance at end of period [4]** | **715** | **785** | **151** | **137** | **869** | **922** |
| of which individually evaluated for impairment | 537 | 598 | 114 | 98 | 654 | 696 |
| of which collectively evaluated for impairment | 178 | 187 | 37 | 39 | 215 | 226 |
| **Loan metrics (%)** | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [5] | 0.4 | 0.4 | 2.1 | 1.7 | 0.5 | 0.5 |
| Gross impaired loans / Gross loans [5] | 0.6 | 0.7 | 2.1 | 2.0 | 0.7 | 0.8 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [4] | 80.5 | 86.0 | 59.9 | 52.9 | 76.0 | 78.7 |
| Allowance for loan losses / Gross impaired loans [4] | 57.9 | 55.0 | 59.9 | 45.2 | 58.4 | 53.3 |

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.
[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 67,522 million and CHF 64,536 million as of December 31, 2013 and 2012, respectively.
[4] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
[5] Excludes loans carried at fair value.

**Derivative instruments**

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while negative replacement values constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

### Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

### Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

### Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us.

## Derivative instruments by maturity

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of / due within | Less than 1 year | 1 to 5 years | More than 5 years | Positive replace-ment value | Less than 1 year | 1 to 5 years | More than 5 years | Positive replace-ment value |
| **Derivative instruments (CHF billion)** | | | | | | | | |
| Interest rate products | 28.2 | 162.2 | 258.8 | 449.2 | 41.4 | 226.5 | 436.6 | 704.5 |
| Foreign exchange products | 32.2 | 18.9 | 10.4 | 61.5 | 32.1 | 17.8 | 13.8 | 63.7 |
| Equity/index-related products | 8.1 | 8.0 | 2.2 | 18.3 | 5.8 | 7.4 | 3.4 | 16.6 |
| Credit derivatives | 1.6 | 21.1 | 4.1 | 26.8 | 2.5 | 20.0 | 8.1 | 30.6 |
| Other products [1] | 1.9 | 1.8 | 1.0 | 4.7 | 2.5 | 2.4 | 1.4 | 6.3 |
| **OTC derivative instruments** | **72.0** | **212.0** | **276.5** | **560.5** | **84.3** | **274.1** | **463.3** | **821.7** |
| Exchange-traded derivative instruments | | | | 18.1 | | | | 15.6 |
| Netting agreements [2] | | | | (544.9) | | | | (800.2) |
| **Total derivative instruments** | | | | **33.7** | | | | **37.1** |
| of which recorded in trading assets | | | | 31.6 | | | | 33.2 |
| of which recorded in other assets | | | | 2.1 | | | | 3.9 |

[1] Primarily precious metals, commodity, energy and emission products.
[2] Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counter-party monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

## Derivative instruments by counterparty credit rating

| end of | 2013 | 2012 |
|---|---|---|
| **Derivative instruments (CHF billion)** | | |
| AAA | 1.1 | 1.9 |
| AA | 8.5 | 9.6 |
| A | 6.6 | 10.9 |
| BBB | 9.9 | 8.1 |
| BB or lower | 4.6 | 5.3 |
| **OTC derivative instruments** | **30.7** | **35.8** |
| Exchange-traded derivative instruments [1] | 3.0 | 1.3 |
| **Total derivative instruments** [1] | **33.7** | **37.1** |

[1] Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

### Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

#### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ▹ OTC derivative and ▹ reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure we have against this country in case of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. Prior to our 4Q13 Financial Report, gross and net credit risk exposures were presented net of the allowance for loan losses. The net impact of this change in presentation was an increase of EUR 0.1 billion in both gross and net sovereign credit risk exposures to Greece as of December 31, 2013. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

## Selected European credit risk exposures

| December 31, 2013 | Gross credit risk exposure | Risk mitigation: CDS | Risk mitigation: Other [1] | Net credit risk exposure | Inventory [2] | Net synthetic inventory [3] | Total credit risk exposure: Gross | Total credit risk exposure: Net |
|---|---|---|---|---|---|---|---|---|
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.6 | 0.0 | 0.5 | 0.1 | 0.0 | (0.2) | 0.6 | 0.1 |
| **Total** | **0.6** | **0.0** | **0.5** | **0.1** | **0.0** | **(0.2)** | **0.6** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.6 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 |
| **Total** | **0.6** | **0.0** | **0.6** | **0.0** | **0.0** | **0.0** | **0.6** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Sovereigns | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Corporates & other | 0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.5** | **0.2** | **0.0** | **0.0** | **0.7** | **0.2** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 1.1 | 0.0 | 0.4 | 0.7 | 0.1 | (0.1) | 1.2 | 0.8 |
| Corporates & other | 0.7 | 0.0 | 0.6 | 0.1 | 0.0 | 0.0 | 0.7 | 0.1 |
| **Total** | **1.8** | **0.0** | **1.0** | **0.8** | **0.1** | **(0.1)** | **1.9** | **0.9** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 3.2 | 2.6 | 0.3 | 0.3 | 0.1 | (0.5) | 3.3 | 0.4 |
| Financial institutions | 1.5 | 0.0 | 1.0 | 0.5 | 0.2 | 0.0 | 1.7 | 0.7 |
| Corporates & other | 2.5 | 0.2 | 1.6 | 0.7 | 0.1 | (0.2) | 2.6 | 0.8 |
| **Total** | **7.2** | **2.8** | **2.9** | **1.5** | **0.4** | **(0.7)** | **7.6** | **1.9** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.1** | **(0.2)** | **0.4** | **0.1** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial institutions | 0.6 | 0.0 | 0.3 | 0.3 | 0.5 | 0.2 | 1.1 | 0.8 |
| Corporates & other | 1.9 | 0.1 | 1.0 | 0.8 | 0.1 | 0.0 | 2.0 | 0.9 |
| **Total** | **2.5** | **0.1** | **1.3** | **1.1** | **0.7** | **0.3** | **3.2** | **1.8** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.1 | 2.6 | 0.9 | 0.6 | 0.2 | (0.7) | 4.3 | 0.8 |
| Financial institutions | 3.4 | 0.0 | 1.9 | 1.5 | 0.8 | 0.0 | 4.2 | 2.3 |
| Corporates & other | 6.2 | 0.3 | 4.3 | 1.6 | 0.3 | (0.2) | 6.5 | 1.9 |
| **Total** | **13.7** | **2.9** | **7.1** | **3.7** | **1.3** | **(0.9)** | **15.0** | **5.0** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Greece, Ireland, Italy, Portugal and Spain as of December 31, 2013 was EUR 3.7 billion, down from EUR 4.3 billion as of December 31, 2012. Our net exposure to these sovereigns was EUR 0.7 billion, up from EUR 0.6 billion as of December 31, 2012, reflecting the change in presentation in the fourth quarter of 2013 to disclose gross and net credit risk exposures before deduction of any related allowance for loan losses. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2013 included net exposure to financial institutions of EUR 2.3 billion and to corporates and other counterparties of EUR 1.9 billion, compared to EUR 2.0 billion and EUR 3.4 billion, respectively, as of December 31, 2012. In 2013, Cyprus and Croatia were added to our disclosure of selected European credit risk exposures. On a gross basis, our risk-based credit risk exposure to Cyprus and Croatia as of December 31, 2013 was EUR 1.2 billion, of which EUR 0.6 billion related to sovereign credit risk. On a net basis, our credit risk exposure to these two countries was EUR 0.1 billion as of December 31, 2013, all related to sovereign credit risk. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

#### Sovereign debt rating developments

During 2013 and the first two months of 2014, the sovereign debt rating of the countries listed in the table were affected as follows: Standard & Poor's increased the long-term rating for Cyprus to B– from CCC+ in the third quarter and CCC in the first quarter of 2013, and lowered Italy's rating to BBB from BBB+ in the third quarter of 2013 and Croatia's rating to BB from BB+ in January 2014. Fitch lowered Cyprus' rating to B– from B in the first quarter of 2013 and from BB– as of the end of 2012, lowered Italy's rating to BBB+ from A– in the first quarter of 2013, and increased Greece's rating to B– from CCC in the second quarter of 2013. Moody's downgraded Cyprus to Caa3 from B3 in the first quarter of 2013, and increased Greece's rating to Caa3 from C in the fourth quarter of 2013, Ireland's rating to Baa3 from Ba1 in January 2014 and Spain's rating to Baa2 from Baa3 in February 2014. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Our primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, we transfer operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of our activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide framework, with ownership of these risks residing with the management responsible for the relevant business process.

### Operational risk management

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

In 2013, we consolidated the operational risk teams in the independent risk management function into a single department Operational Risk Management, reporting to the CRO. Operational Risk Management is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions. We utilize a number of Group-wide tools for the management and reporting of operational risk. These include:

- risk appetite tolerance levels, which set out senior management's expectations with respect to losses or metrics; breaches of tolerance levels are reported to senior management and may trigger actions;
- reporting on top operational risks, which is used to highlight the most significant risks to senior management, along with associated risk remediation efforts;
- the operational risk register, which contains a catalog of inherent operational risks arising as a consequence of the Group's activities;
- risk and control indicators, which are metrics that are used to monitor specified operational risks and controls over time; they may be associated with tolerance levels that define acceptable performance and provide early warning signals about potential impending issues;
- risk and control self-assessments (RCSA), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilize other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks in each business;
- internal operational risk incident data, which provide information on the Group's operational risk profile; incident investigations are carried out for significant internal operational risk events, including those that did not result in economic losses; incident investigations are used to assess control failings, identify required improvements and ascertain whether events have implications for other businesses;
- external operational risk incident data for peer firms, which are collected to identify risks that may be relevant in the future, even if they have not impacted the Group to date; and
- operational risk scenarios, which are used to identify and measure exposure to a range of adverse events, such as unauthorized trading; these scenarios help businesses assess the

suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. In 2013, key enhancements included the introduction of a standardized operational risk register to ensure that risks are categorized and reported consistently, revisions to the RCSA process to improve assessment quality and increase output transparency, and the introduction of more granular operational risk tolerance levels for certain businesses.

### Operational risk measurement

We have used an internal model to calculate the regulatory capital requirement for operational risk under the AMA since 2008. In 2012, following discussions with FINMA, we initiated a project to enhance our internal model to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model has been approved by FINMA for calculating the regulatory capital requirement for operational risk with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative compared with the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. The AMA capital calculation approved by FINMA includes all litigation-related provisions and also an add-on component relating to the aggregate range of reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions. In the fourth quarter of 2013, this new approach to litigation-related provisions and reasonably possible litigation losses has been applied to the previous AMA model used to calculate regulatory capital requirements as of December 31, 2013. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9$^{th}$ percentile of this overall loss distribution.

## REPUTATIONAL RISK

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal or service must be submitted through the globally standardized reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranked senior manager, independent of the business segments, who has authority to approve, reject, or impose conditions on our participation in the transaction or service. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society. The governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues are the Reputational Risk & Sustainability Committee of the Executive Board on a global level and the regional reputational risk councils on a regional level.

## CONDUCT RISK

We define conduct risk as the risk of poor conduct by the Group and/or individuals resulting in clients not receiving a fair transaction, a lack of integrity in activities on financial markets and in the wider financial system and a lack of effective competition in the interests of clients. Conduct risk may arise from a variety of sources, including the potential unsuitability of products sold to clients due to their complexity, breaches of regulatory rules or laws by individual employees or the Group's market conduct. Conduct risk is primarily addressed through specific supervisory controls implemented across the Group and targeted training activities.

# Balance sheet, off-balance sheet and other contractual obligations

During 2013, we decreased our balance sheet by 6%, reflecting measures taken in connection with our balance sheet reduction initiative and the foreign exchange translation impact. As of the end of 2013, total assets were CHF 872.8 billion, total liabilities were CHF 825.6 billion and total equity was CHF 47.2 billion.

## Balance sheet summary

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 68,692 | 61,763 | 110,573 | 11 | (44) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 160,022 | 183,455 | 236,963 | (13) | (23) |
| Trading assets | 229,413 | 256,399 | 279,553 | (11) | (8) |
| Net loans | 247,054 | 242,223 | 233,413 | 2 | 4 |
| Brokerage receivables | 52,045 | 45,768 | 43,446 | 14 | 5 |
| All other assets | 115,580 | 134,672 | 145,217 | (14) | (7) |
| **Total assets** | **872,806** | **924,280** | **1,049,165** | (6) | (12) |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 23,108 | 31,014 | 40,147 | (25) | (23) |
| Customer deposits | 333,089 | 308,312 | 313,401 | 8 | (2) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 94,032 | 132,721 | 176,559 | (29) | (25) |
| Trading liabilities | 76,635 | 90,816 | 127,760 | (16) | (29) |
| Long-term debt | 130,042 | 148,134 | 162,655 | (12) | (9) |
| Brokerage payables | 73,154 | 64,676 | 68,034 | 13 | (5) |
| All other liabilities | 95,580 | 106,323 | 119,524 | (10) | (11) |
| **Total liabilities** | **825,640** | **881,996** | **1,008,080** | (6) | (13) |
| **Total shareholders' equity** | **42,164** | **35,498** | **33,674** | 19 | 5 |
| Noncontrolling interests | 5,002 | 6,786 | 7,411 | (26) | (8) |
| **Total equity** | **47,166** | **42,284** | **41,085** | 12 | 3 |
| **Total liabilities and equity** | **872,806** | **924,280** | **1,049,165** | (6) | (12) |

The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

## BALANCE SHEET

Total assets were CHF 872.8 billion as of the end of 2013, down CHF 51.5 billion, or 6%, from the end of 2012. Excluding the foreign exchange translation impact, total assets decreased CHF 27.0 billion.

In Swiss francs, a decrease of CHF 27.0 billion, or 11%, in trading assets reflected decreases in debt securities and derivative instruments, partially offset by an increase in equity securities. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 23.4 billion, or 13%, reflecting a decrease in reverse repurchase transactions and the foreign exchange translation impact. Cash and due from banks increased CHF 6.9 billion, or 11%, driven by higher positions with central banks. Brokerage receivables increased CHF 6.3 billion, or 14%, mainly due to higher cash collateral requirements under the Dodd-Frank Act and an increase in margin lending. Net loans increased CHF 4.8 billion, or 2%, primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher loans to real estate in Private Banking & Wealth Management, partially offset by lower loans to financial institutions and consumer finance in Investment Banking and the foreign exchange translation impact. All other assets decreased CHF 19.1 billion, or 14%, including decreases of CHF 9.8 billion, or 14%, in other assets, CHF 7.2 billion, or 24%, in securities received as collateral and CHF 1.7 billion, or 14%, in other investments, partially offset by an increase of CHF 1.6 billion in assets of discontinued operations reclassified as held-for-sale.

Total liabilities were CHF 825.6 billion as of the end of 2013, down CHF 56.4 billion, or 6%, from the end of 2012. Excluding the foreign exchange translation impact, total liabilities decreased CHF 35.5 billion.

In Swiss francs, a decrease of CHF 38.7 billion, or 29%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in ▹ repurchase agreements in the US and Europe. Long-term debt decreased CHF 18.1 billion, or 12%, primarily reflecting the maturing of senior debt, partially offset by issuances of senior and subordinated debt. Trading liabilities decreased CHF 14.2 billion, or 16%, reflecting decreases in short trading positions and derivative instruments. Due to banks decreased CHF 7.9 billion, or 25%, primarily due to decreases in deposits from commercial banks. Customer deposits increased CHF 24.8 billion, or 8%, primarily reflecting an increase in certificates of deposit. Brokerage payables increased CHF 8.5 billion, or 13%, mainly due to higher cash collateral requirements, partially offset by lower client activity and the foreign exchange translation impact. All other liabilities decreased CHF 10.7 billion, or 10%, including decreases of CHF 7.2 billion, or 24%, in obligation to return securities received as collateral and CHF 6.2 billion, or 11%, in other liabilities, partially offset by increases of CHF 1.6 billion, or 8%, in short-term borrowings and CHF 1.1 billion in liabilities of discontinued operations reclassified as held-for-sale.

▸ Refer to "Liquidity and funding management" and "Capital management" for more information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with SPEs, and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

### Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

▹ Derivatives are either privately negotiated ▹ OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and ▹ CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their ▹ fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. ▹ PRV constitute an asset, while ▹ NRV constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

▸ Refer to "Derivative instruments" in Risk management – Credit risk for further information.

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

**Representations and warranties on residential mortgage loans sold**

In connection with Investment Banking's sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; LTV ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

▸ Refer to "Representations and warranties on residential mortgage loans sold" in Note 32 – Guarantees and commitments in V – Consolidated financial statements – Credit Suisse Group for further information.

**Involvement with special purpose entities**

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

As a normal part of our business, we engage in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDO, CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and potentially has significant benefits or losses in the VIE. We consolidate all VIEs where we are the primary beneficiary. VIEs may be sponsored by us, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, we may hold interests in the VIEs.

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

We issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

### CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 8.2 billion in 2013 to CHF 667.8 billion, primarily reflecting the decrease in long-term debt of CHF 18.1 billion to CHF 130.0 billion, the decrease in trading liabilities of CHF 14.2 billion to CHF 76.6 billion and the decrease in due to banks of CHF 7.9 billion to CHF 23.1 billion, partially offset by the increase in customer deposits of CHF 24.8 billion to CHF 333.1 billion and the increase in brokerage payables of CHF 8.5 billion to CHF 73.2 billion.

▸ Refer to “Note 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.

▸ Refer to “Note 32 – Guarantees and commitments” in V – Consolidated financial statements – Credit Suisse Group for further information on commitments.

## Contractual obligations and other commercial commitments

| | | | | | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Payments due within | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years | Total | Total |
| **On- and off-balance sheet obligations (CHF million)** | | | | | | |
| Due to banks | 22,435 | 156 | 176 | 341 | 23,108 | 31,014 |
| Customer deposits | 327,929 | 4,268 | 292 | 600 | 333,089 | 308,312 |
| Short-term borrowings | 20,193 | 0 | 0 | 0 | 20,193 | 18,641 |
| Long-term debt [1] | 21,114 | 37,263 | 31,656 | 40,009 | 130,042 [2] | 148,134 [2] |
| Contractual interest payments [3] | 1,161 | 1,908 | 1,517 | 1,029 | 5,615 [4] | 7,596 |
| Trading liabilities | 76,635 | 0 | 0 | 0 | 76,635 | 90,816 |
| Brokerage payables | 73,154 | 0 | 0 | 0 | 73,154 | 64,676 |
| Capital lease obligations | 0 | 1 | 0 | 0 | 1 | 0 |
| Operating lease obligations | 580 | 1,001 | 777 | 3,063 | 5,421 | 6,163 |
| Purchase obligations | 369 | 137 | 74 | 5 | 585 | 690 |
| **Total obligations [5]** | **543,570** | **44,734** | **34,492** | **45,047** | **667,843** | **676,042** |

1 Refer to “Debt issuances and redemptions” in Liquidity and funding management and “Note 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt.
2 Includes non-recourse liabilities from consolidated VIEs of CHF 12,992 million and CHF 14,532 million as of December 31, 2013 and 2012, respectively.
3 Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps.
4 Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 63,378 million, variable rate short-term borrowings of CHF 13,899 million, variable rate interest-bearing deposits and demand deposits of CHF 243,312 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 52,536 million and CHF 1,937 million, respectively.
5 Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 524 million and CHF 756 million as of December 31, 2013 and 2012, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to “Note 30 – Pension and other post-retirement benefits” in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

# IV

# Corporate Governance and Compensation

# Corporate Governance

## OVERVIEW

### Complying with rules and regulations

The Group's corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group and our management and assists investors in their investment decisions.

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, including its appendix stipulating recommendations on the process for setting compensation for the Board of Directors (Board) and the Executive Board. We also continuously monitor and adapt our practices to reflect developments in corporate governance principles and practices in jurisdictions outside Switzerland. As in the past few years, regulators focused their attention on compensation practices at financial institutions in 2013.

‣ Refer to "Compensation" for further information.

In connection with our primary listing on the SIX Swiss Exchange (SIX), we are subject to the SIX Directive on Information Relating to Corporate Governance. Our shares are also listed on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADS) and certain of the Group's exchange traded notes are listed on the Nasdaq Stock Market (Nasdaq). As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and the Nasdaq's corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

- Approval of employee benefit plans: NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.
- Risk assessment and risk management: NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.
- Independence of nominating and corporate governance committee: NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Chairman's and Governance Committee is currently comprised entirely of independent members, but according to its charter, may include non-independent members.
- Reporting: NYSE and Nasdaq standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.
- Appointment of the external auditor: NYSE and Nasdaq standards require the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the Annual General Meeting (AGM) based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.
- Audit Committee charter: Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.
- Executive sessions: NYSE and Nasdaq standards require that the board of directors meet regularly in executive sessions comprised solely of independent directors. Our Board meets regularly in executive sessions comprised of all directors, including any directors determined to be not independent. If any item discussed at the meeting raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making.
- Quorums: Nasdaq standards require that the company's bylaws provide for a quorum of at least 33⅓ percent of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's Articles of Association (AoA) call for a quorum in certain instances, but do not require a quorum of 33⅓ percent or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.
- Independence: NYSE and Nasdaq independence standards specify thresholds for the maximum permissible amount of (i) direct compensation that can be paid by the company to a director or an immediate family member thereof, outside of such director's directorship fees and other permitted payments; and (ii) payments between the company and another company at which such director or an immediate family member thereof is an executive officer, controlling shareholder, partner or employee. Our independence standards do not specify thresholds for direct compensation or cross-company

revenues, but consider these facts in the overall materiality of the business relationship determination for independence purposes.
- Compensation committee: NYSE and Nasdaq standards require compensation committees to have certain responsibilities and authority regarding the retention, oversight and funding of such committees' advisors and perform an evaluation of each advisor's independence, taking into consideration all factors relevant to that person's independence from management. NYSE and Nasdaq also require that such rights and responsibilities be enumerated in the compensation committee's charter. While our Compensation Committee is authorized to retain outside consultants, our Compensation Committee charter does not provide specific standards for independence assessments.

**Developments in 2013**

In November 2013, the Swiss Federal Council approved the final Ordinance Against Excessive Compensation (Compensation Ordinance). The Compensation Ordinance came into effect on January 1, 2014 and implements key elements of the so-called "Minder Initiative". It imposes restrictions and requirements on board and executive compensation for Swiss public companies, implements criminal sanctions in certain cases of intentional noncompliance and is generally intended to strengthen shareholder rights. Specifically, board members, the board chairperson and compensation committee members must now be directly elected by shareholders annually, for the first time at the AGM in 2014.

On January 1, 2014, the Capital Requirements Directive (CRD) IV became effective in various EU countries, including the UK. CRD IV implements the Basel III framework and also makes changes to rules on corporate governance, including compensation. The compensation rules are applicable to employees at Group subsidiaries that are regulated locally in our EU locations.

‣ Refer to "Regulation and supervision" in I – Information on the company for further information.

**Corporate governance framework**

The Board has adopted corporate governance policies and procedures, which are defined in a series of documents and form the basis of a sound corporate governance framework. Our corporate governance documents, all of which are available on our website at *www.credit-suisse.com/governance*, include:
- Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of the Group is dated February 5, 2014, and the AoA of the Bank is dated March 21, 2014.
- Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations, and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our Chief Executive Officer (CEO) and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct. Our Code of Conduct is available on our website at *www.credit-suisse.com/code* in nine languages.
- Organizational Guidelines and Regulations (OGR): define the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies within the Group, as well as the relevant reporting procedures.
- Corporate Governance Guidelines: summarize corporate governance principles promoting the function of the Board and its committees and the effective governance of the Group.
- Board of Directors charter: outlines the organization and responsibilities of the Board.
- Board committee charters: define the organization and responsibilities of the committees.
- Compensation policy: provides a foundation for the development of sound compensation plans and practices.

**Company**

Credit Suisse Group AG (Group) and Credit Suisse AG (Bank) are registered as Swiss corporations in the Commercial Register of the Canton of Zurich as of March 3, 1982 and April 27, 1883 under the registration numbers CHE-105.884.494 and CHE-106.831.974, respectively, and have their registered and main offices at Paradeplatz 8, 8001 Zurich, Switzerland. The Group and the Bank were incorporated on March 3, 1982 and July 5, 1856, respectively, with unlimited duration. The authorized representative in the US for the Group and the Bank is Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010. The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad.

Our business consists of two operating divisions: Private Banking & Wealth Management and Investment Banking. The two divisions are complemented by Shared Services and a regional management structure.

In November 2013, the Group announced key components of its program to evolve the Group's legal entity structure. The program addresses developing and future regulatory requirements. Subject to final analysis and approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA), implementation of the program is underway, with a number of key components expected to be implemented from mid-2015.

▸ Refer to "Credit Suisse" in II – Operating and financial review for further information on our legal entity structure.

▸ Refer to "II – Operating and financial review" for a detailed review of our operating results.

▸ Refer to "Note 39 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

The Group is listed on the SIX (Swiss Security Number 1213853), with a market capitalization of CHF 43,526 million as of December 31, 2013. No Group subsidiaries have shares listed on the SIX or any other stock exchange.

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders' resolution required.

## Number of employees

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Number of employees (full-time equivalents)** | | | |
| Private Banking & Wealth Management | 26,000 | 27,300 | (5) |
| Investment Banking | 19,700 | 19,800 | (1) |
| Corporate Center | 300 | 300 | 0 |
| **Number of employees** | **46,000** | **47,400** | (3) |
| of which Switzerland | 17,900 | 19,400 | (8) |
| of which EMEA | 9,600 | 9,300 | 3 |
| of which Americas | 11,100 | 11,300 | (2) |
| of which Asia Pacific | 7,400 | 7,400 | 0 |

### Employees

As of December 31, 2013, we had 46,000 employees worldwide, of which 17,900 were in Switzerland and 28,100 were abroad.

The number of employees decreased by 1,400, or 3%, compared to the end of 2012. This reflected headcount reductions in Private Banking & Wealth Management and Investment Banking in connection with our cost-efficiency initiatives, offset by graduate hiring. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

### Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for inquiries.

All Credit Suisse Group AG shareholders registered in our share register receive an invitation to our AGM including an order form to receive the annual report and other reports. Each registered shareholder also receives a quarterly shareholders' letter and may elect to receive the quarterly reports on our financial performance.

All of these reports and other information can be accessed on our website at *www.credit-suisse.com/investors*.

### Articles of Association

The summaries below of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the Swiss Code of Obligations and the AoA. The Group's and Bank's AoA are available on our website at *www.credit-suisse.com/articles*.

▸ Refer to "Shareholders" and "Additional information" for a summary of the material provisions of our AoA and the Swiss Code of Obligations as they relate to our shares.

### Indemnification

Neither our AoA nor Swiss statutory law contains provisions regarding the indemnification of directors and officers. According to general principles of Swiss employment law, an employer may, under certain circumstances, be required to indemnify an employee against losses and expenses incurred by such person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

## SHAREHOLDERS

### Capital structure

Our total issued share capital as of December 31, 2013 was CHF 63,844,774 divided into 1,596,119,349 registered shares, with a nominal value of CHF 0.04 per share. Our shares are listed on the SIX and in the form of ADS on the NYSE.

▸ Refer to "Note 8 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26b-c and 27) for information on changes to our capital structure during the year.

### Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. Through the use of an external global market intelligence firm, we regularly gather additional information on the composition of our shareholder base including information on shares that are not registered in the share register. According to this data, our shareholder base as of December 31, 2013 was comprised of 8% private investors, 80% institutional investors and 12% other investors. The geographical break down of our institutional investors is as follows: 16% Switzerland, 11% other continental Europe, 14% UK and Ireland, 48% US and 11% the rest of the world.

As of December 31, 2013, 130,736 shareholders were listed in our share register. To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. As of December 31, 2013, 37.9 million, or 2.4%, of the issued shares were in the form of ADS. Another 25.3 million, or 1.6%, of the issued shares were registered in the name of US domiciled shareholders (excluding nominees) as of December 31, 2013.

The information provided in the following tables reflects the distribution of Group shares as registered in our share register.

## Distribution of Group shares in the share register

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Number of shareholders | % | Number of shares | % | Number of shareholders | % | Number of shares | % |
| **Distribution of Group shares** | | | | | | | | |
| Swiss | 115,185 | 88 | 110,678,408 | 7 | 122,564 | 89 | 112,106,298 | 9 |
| Foreign | 11,165 | 9 | 14,322,072 | 1 | 11,427 | 8 | 13,464,237 | 1 |
| Private investors | 126,350 | 97 | 125,000,480 | 8 | 133,991 | 97 | 125,570,535 | 10 |
| Swiss | 3,755 | 3 | 168,732,633 | 11 | 4,030 | 3 | 123,232,578 | 9 |
| Foreign | 631 | 0 | 774,995,489 | 49 | 628 | 0 | 620,098,199 | 47 |
| Institutional investors | 4,386 | 3 | 943,728,122 | 59 | 4,658 | 3 | 743,330,777 | 56 |
| **Shares registered in share register** | **130,736** | 100 | **1,068,728,602** | 67 | **138,649** | 100 | **868,901,312** | 66 |
| of which Switzerland | 118,941 | 91 | 279,411,046 | 18 | 126,594 | 91 | 235,338,876 | 18 |
| of which Europe | 10,590 | 8 | 534,716,557 | 34 | 10,791 | 8 | 420,808,155 | 32 |
| of which US | 184 | 0 | 222,433,937 | 14 | 191 | 0 | 189,766,059 | 14 |
| of which Other | 1,021 | 1 | 32,167,062 | 2 | 1,073 | 1 | 22,988,222 | 2 |
| **Shares not registered in share register** | **–** | – | **527,390,747** | 33 | **–** | – | **451,928,610** | 34 |
| **Total shares issued** | **–** | – | **1,596,119,349** | 100 | **–** | – | **1,320,829,922** | 100 |

## Distribution of institutional investors in share register by industry

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Number of shareholders | % | Number of shares | % | Number of shareholders | % | Number of shares | % |
| **Institutional investors by industry** | | | | | | | | |
| Banks | 36 | 0 | 2,672,727 | 0 | 36 | 0 | 2,042,785 | 0 |
| Insurance companies | 103 | 0 | 9,336,874 | 1 | 94 | 0 | 4,352,379 | 0 |
| Pension funds | 723 | 1 | 43,645,198 | 3 | 805 | 1 | 40,068,367 | 3 |
| Investment trusts | 392 | 0 | 118,122,666 | 7 | 342 | 0 | 60,480,195 | 5 |
| Other trusts | 746 | 1 | 5,473,606 | 0 | 762 | 1 | 7,631,919 | 1 |
| Governmental institutions | 33 | 0 | 7,934,377 | 0 | 32 | 0 | 6,474,774 | 0 |
| Other [1] | 2,164 | 2 | 104,905,938 | 7 | 2,409 | 2 | 96,910,802 | 7 |
| **Direct entries** | **4,197** | 3 | **292,091,386** | 18 | **4,480** | 3 | **217,961,221** | 17 |
| **Fiduciary holdings** | **189** | 0 | **651,636,736** | 41 | **178** | 0 | **525,369,556** | 40 |
| **Total institutional investors** | **4,386** | 3 | **943,728,122** | 59 | **4,658** | 3 | **743,330,777** | 56 |

Rounding differences may occur.

[1] Includes various other institutional investors for which a breakdown by industry type was not available.

### Significant shareholders

Under the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has an obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their shares. The following provides an overview of the holdings of shares of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the SESTA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. The full text of all notifications can be found on our website at *www.credit-suisse.com/shareholders*. Each share entitles the holder to one vote.

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect market making, facilitating client orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2013, our holdings amounted to 2.15% purchase positions (0.52% registered shares and 1.63% share acquisition rights) and 33.62% sales positions (disposal rights).

### Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

### Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders and encourage shareholders to participate at our AGM. The following is a summary of shareholder rights at the Group. Refer to our AoA, which is available on our website at *www.credit-suisse.com/articles*.

## Significant shareholders

| | Group publication of notification | Number of shares (million) | Approximate shareholding % | Purchase rights % |
|---|---|---|---|---|
| **December 31, 2013 or the most recent notification date** | | | | |
| The Olayan Group (registered entity – Crescent Holding GmbH) | April 6, 2013 | 88.5 | 6.7 | 7.9 [1] |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | October 31, 2013 | 82.0 | 5.2 | 16.5 [2] |
| Harris Associates L.P. | November 9, 2013 | 81.5 | 5.2 | – |
| Dodge & Cox | December 19, 2012 | 63.5 | 5.0 | – |
| Franklin Resources, Inc. | March 12, 2014 | 57.6 | 3.6 | – |
| Norges Bank | April 5, 2013 | 39.8 | 3.0 | 1.6 [3] |
| Capital Group Companies, Inc. | January 22, 2013 | 39.4 | 3.1 | 1.0 [4] |
| BlackRock Inc. | January 25, 2013 | 38.6 | 3.0 | – |
| **December 31, 2012 or the most recent notification date** | | | | |
| The Olayan Group (registered entity – Crescent Holding GmbH) | July 24, 2012 | 78.4 | 6.1 | 10.9 |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | April 30, 2011 | 76.1 | 6.2 | – |
| Dodge & Cox | December 19, 2012 | 63.5 | 5.0 | – |
| Franklin Resources, Inc. | September 14, 2012 | 57.3 | 4.5 | – |
| Capital Group Companies, Inc. | January 22, 2013 | 39.4 | 3.1 | 1.0 |
| BlackRock Inc. | January 25, 2013 | 38.6 | 3.0 | – |
| Harris Associates L.P. | May 17, 2012 | 36.9 | 3.0 | – |
| Norges Bank | August 3, 2012 | 28.0 | 2.2 | 1.7 |
| **December 31, 2011** | | | | |
| The Olayan Group (registered entity – Crescent Holding GmbH) | February 2, 2010 | 77.8 | 6.6 | – |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | April 30, 2011 | 73.2 | 6.2 | – |
| Dodge & Cox | December 15, 2011 | 35.9 | 3.0 | – |
| Franklin Resources, Inc. | December 15, 2011 | 35.7 | 3.0 | – |

[1] Consists of 7.9% purchase rights relating to The Olayan Group's holdings of USD 1.725 billion 9.5% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements.

[2] Consists of 16.3% purchase rights relating to Qatar Holding LLC's holdings of USD 1.72 billion 9.5% tier 1 capital instruments and CHF 2.5 billion 9.0% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.2% purchase rights relating to options.

[3] Relates to Norges Bank's holdings of CHF 353 million MACCS, which converted to 21.6 million shares on March 29, 2013 at the conversion price of CHF 16.29. The settlement and delivery of the shares occurred on April 8, 2013.

[4] Relates to the Capital Group Companies, Inc.'s holdings of CHF 201 million MACCS, that converted to 12.3 million shares on March 29, 2013 at the conversion price of CHF 16.29. The settlement and delivery of the shares occurred on April 8, 2013.

### Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

- the exercise of voting rights by the independent proxy as elected by the AGM;
- shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder's name for the shareholder's own account and in respect of which the disclosure requirements in accordance with the SESTA and the relevant ordinances and regulations have been fulfilled; or
- shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us on request the name, address and shareholding of the person(s) for whose account the nominee holds 0.5% or more of the total share capital and confirms to us that any applicable disclosure requirements under the SESTA have been fulfilled.

In order to execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form. The registration of shares in the share register may be requested at any time. Failing such registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, receives dividends or other distributions approved at the AGM. The transfer restrictions apply regardless of the way and the form in which the registered shares are kept in the accounts and regardless of the provisions applicable to transfers. The transfer of intermediated securities based on Group shares, and the pledging of these intermediated securities as collateral, is based on the provisions of the

Swiss Federal Intermediated Securities Act. Transfer or pledging as collateral by means of written assignment are not permitted.

### Annual General Meeting

Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Gazette of Commerce at least 20 days prior to the AGM.

Shares only qualify for voting at an AGM if they are entered into the share register with voting rights no later than three days prior to the AGM.

#### Convocation of shareholder meetings

The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an extraordinary shareholders' meeting (EGM) if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

#### Request to place an item on the agenda

Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

#### Statutory quorums

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA. Shareholders' resolutions that require a vote by a majority of the votes represented include:

- amendments to the AoA, unless a supermajority is required;
- election of directors and statutory auditors;
- approval of the annual report and the statutory and consolidated accounts;
- discharging of the acts of the members of the Board and Executive Board; and
- determination of the appropriation of retained earnings.

A quorum of at least two-thirds of the votes represented is required for resolutions on:

- change of the purpose of the company;
- creation of shares with increased voting powers;
- implementation of transfer restrictions on shares;
- increase in conditional and authorized capital;
- increase of capital by way of conversion of capital surplus or by contribution in kind;
- restriction or suspension of pre-emptive rights;
- change of location of the principal office; and
- dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three-quarters of the votes represented is required for resolutions on:

- the conversion of registered shares into bearer shares;
- amendments to the AoA relating to registration and voting rights of nominee holders; and
- the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

#### Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submits its compensation report (contained in the Corporate Governance and Compensation section of the annual report) for a consultative vote by shareholders at the AGM. In accordance with the Compensation Ordinance, the Group will submit executive and board pay recommendations for respective binding votes by shareholders for the first time at the AGM in 2015.

#### Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

### Notices

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may disseminate the relevant information.

## BOARD OF DIRECTORS

### Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 13 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman of the Board (Chairman) and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire after having served on the Board for 15 years.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members, the committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

### Members of the Board and Board committees

| | Board member since | Current term end | Independence | Chairman's and Governance Committee | Audit Committee | Compensation Committee | Risk Committee |
|---|---|---|---|---|---|---|---|
| **December 31, 2013** | | | | | | | |
| Urs Rohner, Chairman | 2009 | 2014 | Independent | Chairman | – | – | – |
| Peter Brabeck-Letmathe, Vice-Chairman | 1997 | 2014 | Independent | Member | – | – | – |
| Jassim Bin Hamad J.J. Al Thani | 2010 | 2014 | Not independent | – | – | – | – |
| Iris Bohnet | 2012 | 2014 | Independent | – | – | Member | – |
| Noreen Doyle | 2004 | 2014 | Independent | – | – | – | Member |
| Jean-Daniel Gerber | 2012 | 2014 | Independent | – | Member | – | – |
| Walter B. Kielholz | 1999 | 2014 | Independent | Member | – | Member | – |
| Andreas N. Koopmann | 2009 | 2014 | Independent | – | – | Member | Member |
| Jean Lanier | 2005 | 2014 | Independent | Member | Member | Chairman | – |
| Kai S. Nargolwala | 2013 | 2014 | Independent [1] | – | – | – | Member |
| Anton van Rossum | 2005 | 2014 | Independent | – | – | – | Member |
| Richard E. Thornburgh | 2006 | 2014 | Independent | Member | Member | – | Chairman |
| John Tiner | 2009 | 2014 | Independent | Member | Chairman | – | Member |

[1] Kai S. Nargolwala was not independent at the time of his election to the Board due to his former role in the Executive Board, but was considered independent as of the end of October 2013, after a three-year cooling off period.

### Retirements and nominations

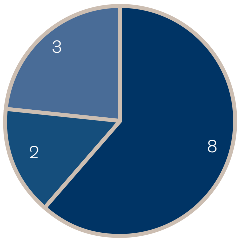
Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz retired from the Board at the AGM in 2013. Jean Lanier succeeded Aziz R.D. Syriani as chairman of the Compensation Committee. At the AGM in 2013, Kai S. Nargolwala was elected as a new member of the Board. At the AGM on May 9, 2014, Peter Brabeck-Letmathe and Walter B. Kielholz will be retiring from the Board. The Board proposes that all other current members of the Board be re-elected to the Board at the AGM in 2014, proposes the election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee. The Board also proposes the new election of Severin Schwan, CEO of Roche Group, and Sebastian Thrun, Co-Founder and CEO of Udacity, to the Board.

### Board composition

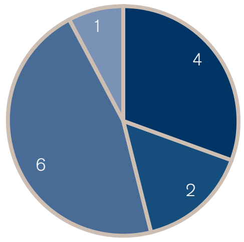
The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the Corporate Governance Guidelines and the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

## Board composition

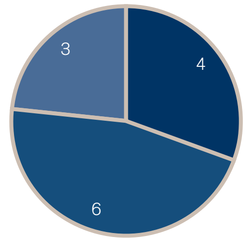
**Industry experience**




**Geographical origin**




**Length of tenure**




To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

### New members

Any newly appointed member participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

### Meetings

In 2013, the Board held six full-day meetings in person and three additional meetings. In addition, the Board held a one and a half day strategy session. From time to time, the Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

### Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

## Meeting attendance

| | Board of Directors [1] | Chairman's and Governance Committee | Audit Committee | Compensation Committee | Risk Committee |
|---|---|---|---|---|---|
| **in 2013** | | | | | |
| Total number of meetings held | 10 | 10 | 11 | 12 | 6 |
| Number of members who missed no meetings | 10 | 5 | 5 | 3 | 3 |
| Number of members who missed one meeting | 2 | 1 | 0 | 2 | 2 |
| Number of members who missed two or more meetings | 4 | 1 | 0 | 1 | 1 |
| Meeting attendance, in % | 90 | 88 | 100 | 94 | 88 |

[1] The Board consisted of 15 members at the beginning of the year and 13 members at the end of the year, with 1 member joining the Board and 3 members leaving the Board as of the 2013 AGM.

**Independence**

The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the Corporate Governance Guidelines, the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. Our definition of independence is in line with the Swiss Code of Best Practice for Corporate Governance and the NYSE and Nasdaq definitions. In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status further back than three years.

**Independence determination**

As of December 31, 2013, 12 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship. Mr. Kai S. Nargolwala was determined to be not independent at the time of his election at the AGM in 2013 due to his former role on the Executive Board. He is considered independent as of end of October 2013 after the lapse of the compulsory three-year cooling-off period. As described above, our independence guidelines require that a Board member not have been employed as an executive officer of the Group or any of its subsidiaries for the prior three years.

**Chairman of the Board**

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by our main regulator, FINMA. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings and takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or parts of selected committee meetings as a guest without voting power.

**Segregation of duties**

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

**Lead Independent Director**

The Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director may convene meetings without the Chairman being present.

**Board responsibilities**

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses our competitive position and approves our strategic and financial plans. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge their responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as they deem appropriate, with respect to any matters within their authority.

**Governance of Group subsidiaries**

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the boards of the most important subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process shall be reviewed by the Board on an annual basis.

**Board evaluation**

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives, and a work plan for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

## BOARD COMMITTEES

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

**Chairman's and Governance Committee**

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairman and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee consists of six members, all of whom are independent.

The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee acts as an advisor to the Chairman and supports him in the preparation of the Board meetings. In addition, the Chairman's and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman's and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations.

In addition, the Chairman's and Governance Committee guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman's and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

**Audit Committee**

The Audit Committee consists of not fewer than three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of four members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees. The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

In addition, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis. The Audit Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

**Compensation Committee**

The Compensation Committee consists of not fewer than three members, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The Compensation Committee's duties and responsibilities include reviewing the Group's compensation policy, newly established compensation plans or amendments to existing plans and recommending them to the

Board for approval, as well as reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools and the compensation payable to the members of the Board, the CEO and the Executive Board (upon the CEO's proposal). The meetings are attended by management representatives, as appropriate.

According to its charter, the Compensation Committee is authorized to retain outside consultants, at the Group's expense, to advise the Compensation Committee. The Compensation Committee is assisted in its work by external legal counsel Nobel & Hug and the global compensation consulting firm, Johnson Associates, Inc. Johnson Associates Inc. does not provide other services to the Group other than assisting the Compensation Committee. The Compensation Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

▸ Refer to "Governance" in Compensation – Executive Board compensation for information on our compensation approach, principles and objectives.

#### Risk Committee

The Risk Committee consists of not fewer than three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee consists of six members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board, and holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee's main duties are to assist the Board in reviewing and assessing the integrity and adequacy of the Group's risk management function, in particular as it relates to market, credit, liquidity and funding risks, reviewing the adequacy of the Group's capital and its allocation to the Group's businesses reviewing certain risk limits and making recommendations to the Board, and reviewing and assessing the Group's risk appetite framework. The Risk Committee also reviews and assesses the adequacy of the management of reputational and operational risks, including the adequacy of the internal control system, jointly with the Audit Committee. The Risk Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

## BANKING RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

#### Banking relationships

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2013, 2012 and 2011, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Executive Board shareholdings and loans" and "Board shareholdings and loans" in Compensation for a list of the outstanding loans to members of the Executive Board and the Board.

#### Related party transactions

##### Exchange of tier 1 capital instruments

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 high-trigger capital instruments (new Tier 1 Capital Notes). Under the agreements, QIA and The Olayan Group agreed to purchase USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (together, the Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes had been redeemed in full, for cash.

In July 2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group to accelerate the exchange of USD 1.725 billion of the 11% tier 1 capital notes for an equivalent principal amount of new Tier 1 Capital Notes. In October 2013, based on the prior agreement with an entity affiliated with QIA, we exchanged such entity's holding of USD 1.72 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes into equivalent principal amounts of new Tier 1 Capital Notes. These transactions were approved by FINMA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under ▷ Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the new Tier 1 Capital Notes delivered in the exchange as well as the remaining new Tier 1 Capital Notes that were exchanged in October 2013 was adjusted to match the conversion price of the mandatory and contingent convertible securities (MACCS) described below. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

### Settlement of mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that mandatorily converted into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013. The settlement and delivery of shares occurred on April 8, 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with QIA and The Olayan Group, which also have been deemed by the Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani. In addition to QIA and The Olayan Group, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like QIA and The Olayan Group, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS were equally applicable to all purchasers.

▸ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management for further information about the new Tier 1 Capital Notes and the MACCS.

### Plus Bonds

In 2013, we awarded Plus Bonds to certain employees as deferred variable compensation in respect of their 2012 compensation. We provided members of the Executive Board who did not participate in the structuring of the Plus Bonds the opportunity to invest their own funds in instruments with substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

▸ Refer to "Plus Bond awards" in Compensation – Discontinued compensation plans for further information.

### Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm's length terms and at the time, did not involve more than the normal risk of collectability or present other unfavorable features. Arcapita Bank may have been deemed to be a related party entity of the Group because our Board member Mr. Bin Hamad J.J. Al Thani was also a member of the board of directors of Arcapita Bank. Mr. Bin Hamad J.J. Al Thani joined the Arcapita Bank board of directors in October 2008 and our Board in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. During 2013, Mr. Bin Hamad J.J. Al Thani stepped down from the Arcapita Bank board of directors.

▸ Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

## Biographies of the Board members

**Urs Rohner**
**Born 1959**
**Swiss Citizen**

Urs Rohner has been Chairman of the Board and the Chairman's and Governance Committee since the 2011 AGM. He was Vice-Chairman of the Board and a member of the Chairman's and Governance and Risk Committees (2009 to 2011). He was a member of the Executive Boards of the Group (2004 to 2009) and Credit Suisse (2005 to 2009) and served as General Counsel of the Group (2004 to 2009), as COO (2006 to 2009) and General Counsel of the Bank (2005 to 2009). His term as a Board member expires at the AGM in 2014. As of that date, Mr. Rohner will be proposed for re-election by our shareholders as a member of the Board and Chairman for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Rohner served as chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG (2000 to 2004) and CEO of ProSieben Media AG (2000). He was a partner at Lenz & Staehelin (1992 to 1999) and an attorney with the law firms Sullivan & Cromwell LLP in New York (1988 to 1989) and Lenz & Staehelin in Zurich (1990 to 1992, 1983 to 1988). Mr. Rohner graduated with a degree in Law from the University of Zurich, Switzerland, in 1983. He was admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

Mr. Rohner is the chairman and a member of the board of trustees of the Credit Suisse Research Institute and the Credit Suisse Foundation. He serves as a board member or advisory board member for a number of international organizations, including the Institute of International Finance and the Institut International d'Etudes Bancaires, the European Financial Services Round Table, the European Banking Group and the international advisory board of the Moscow International Financial Center and serves on the International Business Leaders Advisory Council of the Mayor of Beijing. Since 2013, Mr. Rohner is a member of the Expert Committee of the Swiss Federal Council regarding the further development of the financial market strategy. He is also a member of the board of trustees of Avenir Suisse and the Alfred Escher Foundation, a board member of Economiesuisse and the International Institute for Management Development Foundation, and the chairman of the advisory board of the University of Zurich's Department of Economics, and he serves as a member of the board of trustees of the Lucerne Festival.

**Peter Brabeck-Letmathe**
**Born 1944**
**Austrian Citizen**

Peter Brabeck-Letmathe has been Vice-Chairman of the Board since 2008, a function he also held from 2000 to 2005. He has been a member of the Board since 1997 and a member of the Chairman's and Governance Committee since 2008. He served on the Compensation Committee (2008 to 2011 and 2000 to 2005) and on the Chairman's and Governance Committee (2003 to 2005). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Brabeck-Letmathe will be retiring from the Board. The Board has determined him to be independent under the Group's independence standards.

Mr. Brabeck-Letmathe has been the chairman of the board of directors of Nestlé SA since 2005 and vice-chairman of the board of directors (2001 to 2005). He was also CEO of Nestlé SA (1997 to 2008) and since 1987 has been based at Nestlé SA's headquarters in Vevey. He joined Nestlé SA's sales operations in Austria after graduating in 1968. His career at Nestlé SA has included a variety of assignments in several European countries and in Latin America. In addition, he served as member of the board of directors of Roche Holding SA (2000 to 2010) and Gesparal SA Paris, France (1997 to 2004). Mr. Brabeck-Letmathe studied economics at the University of World Trade, Vienna.

Mr. Brabeck-Letmathe has been vice-chairman of the board of directors of L'Oréal SA, Paris, since 1997, and has been a board member of Exxon Mobil Corporation and Delta Topco (Formula 1), both since 2010, and assumed the role of chairman of Delta Topco (Formula 1) in 2012. He is also a member of the foundation board of the World Economic Forum and a member of the European Round Table of Industrialists.

**Jassim Bin Hamad J.J. Al Thani**
Born 1982
Qatari Citizen

Jassim Bin Hamad J.J. Al Thani has been a member of the Board since 2010. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Bin Hamad J.J. Al Thani will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be not independent under the Group's independence standards. For further information, refer to "Independence determination".

Since April 2005, Mr. Bin Hamad J.J. Al Thani has been chairman of the board of directors of Qatar Islamic Bank. He is also chairman of: QInvest, the first Islamic investment bank founded in Qatar; Damaan Islamic Insurance Co. (BEEMA); and Q-RE LLC, an insurance and reinsurance company. He is CEO of Al Mirqab Capital LLC, Qatar, a family enterprise, and a member of the board of directors of Qatar Navigation Company and Qatar Insurance Company. Mr. Bin Hamad J.J. Al Thani completed his studies in the State of Qatar and graduated as an Officer Cadet from the Royal Military Academy in England.

**Iris Bohnet**
Born 1966
Swiss Citizen

Iris Bohnet was elected to the Board at the AGM 2012 and has since served as a member of the Compensation Committee. Her term as a member of the Board expires at the AGM in 2014. As of that date, Ms. Bohnet will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined her to be independent under the Group's independence standards.

Ms. Bohnet has been a professor of public policy at the Harvard Kennedy School, Massachusetts, since 2006, and Academic Dean of the Harvard Kennedy School since 2011. Ms. Bohnet also serves as director of the Women and Public Policy Program at the Harvard Kennedy School. She joined the academic faculty of Harvard University in 1998 as assistant professor of public policy at the Harvard Kennedy School and was named associate professor in 2003. She was a visiting scholar at the Haas School of Business at the University of California at Berkeley (1997 to 1998). Ms. Bohnet received a master's degree in Economic History, Economics and Political Science from the University of Zurich, Switzerland, in 1992, and a doctorate in Economics from the same university in 1997.

Ms. Bohnet is currently a member of the board of the University of Lucerne, a member of the advisory board of the Vienna University of Economics and Business Administration and a member of the Global Agenda Council on Women's Empowerment of the World Economic Forum. Ms. Bohnet is also a member of the advisory board of the Decision Making and Negotiations Journal.

**Noreen Doyle**
**Born 1949**
**Irish and US Citizen**

Noreen Doyle has been a member of the Board since 2004 and a member of the Risk Committee since 2009. She served on the Audit Committee (2007 to 2009) and the Risk Committee (2004 to 2007). Since 2012, Ms. Doyle has also served as a non-executive director and as of 2013 chairs the boards of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. She also chaired the Audit Committee of these two entities (2011 to 2012). Her term as a member of the Board expires at the AGM in 2014. As of that date, Ms. Doyle will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined her to be independent under the Group's independence standards.

Ms. Doyle was first vice president and head of banking of the European Bank for Reconstruction and Development (EBRD) from 2001 to 2005. She became deputy vice president of Risk Management in 1997, was appointed chief credit officer in 1994 and joined the EBRD in 1992 as head of syndications. Prior to joining the EBRD, Ms. Doyle spent 18 years at Bankers Trust Company with assignments in Houston, New York and London. Ms. Doyle received a BA in Mathematics from The College of Mount Saint Vincent, New York, in 1971, and an MBA in Finance from Dartmouth College, New Hampshire, in 1974.

Ms. Doyle currently serves on the boards of directors of the Newmont Mining Corporation and QinetiQ Group Plc., a UK-based defense technology and security company. She is also a member of the advisory panel of the Macquarie European Infrastructure Fund and the Macquarie Renaissance Infrastructure Fund and a member of the advisory board of Sapphire Partners, a UK based executive search firm. Ms. Doyle also chairs the board of governors of the Marymount International School, London, and is a patron of Women in Banking and Finance in London.

**Jean-Daniel Gerber**
**Born 1946**
**Swiss Citizen**

Jean-Daniel Gerber was elected to the Board at the AGM 2012 and has since served as a member of the Audit Committee. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Gerber will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Jean-Daniel Gerber was appointed by the Swiss Federal Council to state secretary in 2004. In this function, he was head of the state secretariat for Economic Affairs, a function from which he retired in 2011. Mr. Gerber was director of the Swiss Federal Office of Migration (1997 to 2004), and served as executive director at the World Bank Group in Washington D.C. (1993 to 1997). Prior to that, he held the positions of head of Economic and Financial Affairs at the Swiss Embassy in Washington D.C. and Swiss representative of the World Trade Organization. Mr. Gerber received a degree in Economics from the University of Berne, Switzerland, in 1972, and was awarded an honorary doctorate from the Faculty of Economics and Social Sciences at the same university in 2007.

Mr. Gerber is a member of the board of directors and the audit committee of the Lonza Group AG and since 2013, he has chaired the nomination and compensation committee. Mr. Gerber is chairman of the board and of the investment committee of the Swiss Investment Fund for Emerging Markets and also president of the Swiss Society for Public Good and a member of the JTI Foundation.

**Walter B. Kielholz**
**Born 1951**
**Swiss Citizen**

Walter B. Kielholz has been a member of the Board since 1999, the Compensation Committee since 2009 and the Chairman's and Governance Committee since 2011. He served as Chairman of the Board and the Chairman's and Governance Committee (2003 to 2009), chairman of the Audit Committee (1999 to 2002) and a member of the Risk Committee (2009 to 2011). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Kielholz will be retiring from the Board. The Board has determined him to be independent under the Group's independence standards.

Since May 2009, he has served as the chairman of the board of directors of Swiss Re, vice-chairman in 2007, executive vice-chairman of the board of directors of Swiss Re in 2003 and has been a board member since 1998. He was Swiss Re's CEO (1997 to 2002) and became a member of Swiss Re's executive board in 1993. Mr. Kielholz joined Swiss Re, Zurich, in 1989. In 1986, he joined Credit Suisse, responsible for client relations with large insurance groups in the Multinational Services department. Mr. Kielholz's career began at the General Reinsurance Corporation, Zurich, in 1976, and he assumed responsibility for the company's European marketing after working in the US, the UK and Italy. Mr. Kielholz received a degree in Business Finance and Accounting from the University of St. Gallen, Switzerland, in 1976.

Mr. Kielholz serves as chairman of the European Financial Services Roundtable and vice-chairman of the Institute of International Finance. He is also a member of the advisory boards of Corsair Capital Ltd. and the Monetary Authority of Singapore and a member of the World Economic Forum International Business Council. In addition, Mr. Kielholz is a member and former chairman of the supervisory board of Avenir Suisse and a senior advisor to the Credit Suisse Research Institute. He is a member of the board of trustees of the Lucerne Festival and chairman of the Zürcher Kunstgesellschaft (Zurich Art Society), which runs Zurich's Kunsthaus museum.

**Andreas N. Koopmann**
**Born 1951**
**Swiss Citizen**

Andreas N. Koopmann has been a member of the Board since the AGM in 2009 and has since served as a member of the Risk Committee. Mr. Koopman has been a member of the Compensation Committee since the AGM in 2013. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Koopmann will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

From 1982 to 2009, Mr. Koopmann held various leading positions at Bobst Group S.A., Lausanne, one of the world's leading suppliers of equipment and services to packaging manufacturers. He was group CEO (1995 to 2009) and a member of its board of directors (1998 to 2002). Mr. Koopmann received a master's degree in Mechanical Engineering from the Swiss Federal Institute of Technology, Switzerland, in 1976 and an MBA from International Institute for Management Development, Switzerland, in 1978.

Mr. Koopmann is chairman of the board of directors of Georg Fischer AG. Since 2003, Mr. Koopmann has been a member of the board of directors of Nestlé SA, its vice-chairman and a member of its chairman's and corporate governance committee. He is also a member of the board of directors of the CSD Group, an engineering consultancy enterprise in Switzerland, a member of the advisory board of Sonceboz SA, a producer of electric motors, and a member of the advisory board of Spencer Stuart, Switzerland, an executive search firm. Since 2013, Mr. Koopmann is a member of the board of directors of Economiesuisse.

**Jean Lanier**
Born 1946
French Citizen

Jean Lanier has been a member of the Board and the Audit Committee since 2005 and a member of the Compensation Committee since 2011. Mr. Lanier has served as the chairman of the Compensation Committee and as a member of the Chairman's and Governance Committee since the AGM in 2013. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Lanier will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Lanier is the former chairman of the managing board and group CEO of Euler Hermes, Paris, and chaired the boards of the principal subsidiaries of the group (1998 to 2004). Prior to that, he was managing director of the Euler Group (1997 to 1998) and COO and managing director of SFAC (1990 to 1997), which became Euler Hermes SFAC. He was managing director of the Pargesa Group based in Paris and Geneva (1988 to 1990) and held the position of President of Lambert Brussells Capital Corporation in New York (1983 to 1989). Mr. Lanier started his career at the Paribas Group in 1970, where he worked until 1983. He held, among others, the functions of senior vice president of the Paribas Group Finance division and senior executive for North America of the Paribas Group in New York. He received a master's degree in Engineering from the Ecole Centrale des Arts et Manufactures, Paris, in 1969, and a Master of Science in Operations Research and Finance from Cornell University, New York, in 1970.

Mr. Lanier is the chairman of the board of directors for the Swiss Re subsidiaries Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA and also serves on their respective audit and risk committees. He chairs the board of the foundation La Fondation Internationale de l'Arche and is a member of the board of friends of l'Arche Long Island. Mr. Lanier holds the title of Chevalier de la Légion d'Honneur in France.

**Kai S. Nargolwala**
Born 1950
Singapore Citizen

Kai S. Nargolwala was elected to the Board at the AGM in 2013 and has since served as a member of the Risk Committee. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Nargolwala will be proposed for re-election by our shareholders as a member of the Board for a period of one year. He was determined to be not independent at the time of his election at the AGM in 2013 due to his former role on the Executive Board, but was considered independent as of the end of October 2013, after the lapse of the compulsory three-year cooling-off period.

Mr. Nargolwala was a member of the Credit Suisse Executive Board and CEO of the Asia Pacific region from 2008 to 2010 and was non-executive chairman of Credit Suisse's Asia-Pacific region from 2010 to 2011. From 1999 to 2007, he worked at Standard Chartered Plc., where he was the main board executive director with responsibility for governance in Asia and the group's global risk and special assets management functions. Prior to that, he spent almost twenty years in a variety of functions at Bank of America, among them the group executive vice president and head of Asia wholesale banking group. He joined Peat Marwick Mitchell & Co. in London after completing his studies, where he worked for six years. Mr. Nargolwala received a BA in Economics from the University of Delhi (1969) and gained a Fellowship (FCA) from the Institute of Chartered Accountants in England and Wales (1974).

Since 2006, Kai S. Nargolwala has been a member of the board of directors (lead independent director since 2009) of Singapore Telecommunications Ltd., Singapore's largest publicly listed company, and since 2012, a member of the board of directors of Prudential Plc., a global financial services company headquartered in the UK, and a member of the board of directors of PSA International Pte. Ltd. in Singapore, one of the world's largest port operators. Mr. Nargolwala is chairman of Clifford Capital Pte. Ltd. since 2012, a company supported by the government of Singapore that provides financing of foreign projects for companies in Singapore and chairman of the governing board of the Duke-NUS Graduate Medical School of Singapore. Mr. Nargolwala is a member of the board of directors of the Casino Regulatory Authority in Singapore and, since February 2014, a member of the Singapore Capital Markets Committee of the Monetary Authority of Singapore.

**Anton van Rossum**
**Born 1945**
**Dutch Citizen**

Anton van Rossum has been a member of the Board since 2005 and a member of the Risk Committee since 2008. He served on the Compensation Committee (2005 to 2008). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. van Rossum will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. van Rossum was CEO of Fortis (2000 to 2004). He was also a member of the board of directors of Fortis and chaired the boards of the principal subsidiaries of the group during this time. Prior to that, Mr. van Rossum worked 28 years with McKinsey and Company, where he led a number of top management consulting assignments, with a focus on the banking and insurance sectors. He was elected principal in 1979 and a director of the firm in 1986. Mr. van Rossum studied Economics and Business Administration at the Erasmus University, Rotterdam, where he obtained a bachelor's degree in 1965 and a master's degree in 1969.

Mr. van Rossum is a member of the supervisory board and audit committee of Munich Re AG, an international re-insurance and primary insurance group, and chairs the supervisory board of Royal Vopak NV, Rotterdam, an international oil, chemicals and liquefied natural gas storage group. In addition, he is a member of the board of directors of Solvay SA, Brussels, an international chemicals and plastics company. He also chairs the board of trustees of the Netherlands Economics Institute and is a member of the advisory board of the Solvay Business School, Brussels. Mr. van Rossum was chairman of the supervisory board of Erasmus University, Rotterdam (2005 to 2013).

**Richard E. Thornburgh**
**Born 1952**
**US Citizen**

Richard E. Thornburgh has been a member of the Board and the Risk Committee since 2006 and chairman of the Risk Committee and a member of the Chairman's and Governance Committee since 2009 and the Audit Committee since 2011. As of 2013, Mr. Thornburgh also serves as a non-executive director of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Thornburgh will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Thornburgh is currently a senior investment professional at Corsair Capital, New York, a private equity investment company, and previously served as vice-chairman of the board. He was the CRO of Credit Suisse Group (2003 to 2004). In 2004, he was appointed executive vice-chairman of Credit Suisse First Boston. He was CFO of Credit Suisse First Boston (2000 to 2002) and vice-chairman of the executive board of Credit Suisse First Boston (1999 to 2002). Mr. Thornburgh was the CFO of Credit Suisse Group (1997 to 1999). He was appointed a member of the Group Executive Board (1997 to 2005). In 1995, Mr. Thornburgh was appointed chief financial and administrative officer and a member of the executive board of Credit Suisse First Boston. He began his investment banking career in New York with The First Boston Corporation, the predecessor firm of Credit Suisse First Boston. Mr. Thornburgh received a BBA from the University of Cincinnati, Ohio, in 1974, as well as an honorary doctorate in 2009, and an MBA from the Harvard Business School, Massachusetts, in 1976.

Mr. Thornburgh is a member of the board of directors, audit committee and strategic committee of Reynolds American Inc., Winston-Salem, and a board of directors, audit committee and financial policy committee member of McGrawHill Financial, Inc. New York, since 2011. Mr. Thornburgh is also a member of the board of directors and lead director and chair of the risk committee for New Star Financial Inc., Massachusetts. Furthermore, he serves on the executive committee of the University of Cincinnati Foundation and the investment committee of the University of Cincinnati.

**John Tiner**
Born 1957
British Citizen

John Tiner has been a member of the Board and the Audit Committee since the AGM in 2009. He has chaired the Audit Committee and has also been a member of the Chairman's and Governance and Risk Committees since the AGM in 2011. His term as member of the Board expires at the AGM in 2014. As of that date, Mr. Tiner will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

From September 2008 until March 2013, Mr. Tiner was CEO of Resolution Operations LLP, a privately owned advisory firm which provided services to Resolution Ltd., a company listed on the London Stock Exchange. Mr. Tiner was previously CEO of the FSA (2003 to 2007). He joined the FSA in 2001 as managing director of the consumer insurance and investment directorate and was a member of the managing board of the Committee of European Insurance and Occupational Pensions Regulators and chairman of the Committee of European Securities Regulators – Standing Committee on Accounting and Auditing. Before joining the FSA, Mr. Tiner was a managing partner at Arthur Andersen, responsible for its worldwide financial services practice. Mr. Tiner received a degree in 1980 as a UK Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a fellow of the same institute. He was given an honorary Doctor of Letters at his former college, Kingston University, London, in 2010.

Since March 2013, Mr. Tiner has been a member of the board of Resolution Ltd. and, since 2009, he has served as non-executive member of the board of directors of Friends Life Group plc, a UK insurance company. Mr. Tiner is also a member of the advisory board of Corsair Capital, a private equity investment company. Furthermore, since 2008, he serves as a member of the board of trustees of The Urology Foundation. In recognition of his contribution to the financial services industry, Mr. Tiner was awarded the title of Commander of the British Empire (CBE) in 2008.

**Honorary Chairman of Credit Suisse Group**
**Rainer E. Gut**
Born 1932
Swiss Citizen

Rainer E. Gut was appointed Honorary Chairman of Credit Suisse Group in 2000, after he retired as Chairman, a position he had held since 1986. Mr. Gut was a member of the board of directors of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

**Secretaries of the Board**
**Pierre Schreiber**
**Joan E. Belzer**

## EXECUTIVE BOARD

### Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective December 31, 2013, Tobias Guldimann stepped down from the Executive Board and his position as Chief Risk Officer (CRO). Effective January 1, 2014, Joachim Oechslin was appointed as CRO and as a member of the Executive Board.

The size of the Executive Board remained stable at nine members throughout 2013.

### Members of the Executive Board

| | Appointed in | Role |
|---|---|---|
| **December 31, 2013** | | |
| Brady W. Dougan, CEO | 2003 | Group CEO |
| Gaël de Boissard, Joint Head of Investment Banking and Regional CEO of EMEA | 2012 | Divisional & Regional Head |
| Romeo Cerutti, General Counsel | 2009 | Shared Services Head |
| Tobias Guldimann, CRO [1] | 2004 | Shared Services Head |
| David R. Mathers, CFO and Head of IT and Operations | 2010 | Shared Services Head |
| Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO of Switzerland | 2008 | Divisional & Regional Head |
| Joachim Oechslin, CRO [2] | 2013 | Shared Services Head |
| Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO of Americas | 2007 | Divisional & Regional Head |
| Pamela A. Thomas-Graham, Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets | 2010 | Shared Services Head |
| Eric M. Varvel, Joint Head of Investment Banking and Regional CEO of APAC | 2008 | Divisional & Regional Head |

1 Left the Executive Board effective December 31, 2013.
2 Appointed on June 20, 2013 as a new Executive Board member effective January 1, 2014, succeeding Tobias Guldimann.

## Biographies of the Executive Board members

**Brady W. Dougan**
**Born 1959**
**US Citizen**

**Gaël de Boissard**
**Born 1967**
**French Citizen**

Brady W. Dougan has held the position of CEO since 2007 and has been a member of the Executive Board since 2003.

Prior to his appointment as CEO of the Group, Mr. Dougan was CEO of the Investment Banking division and CEO of the Americas region. After starting his career in the derivatives group at Bankers Trust, he joined Credit Suisse First Boston in 1990. He was Head of the Equities division for five years before he was appointed Global Head of the Securities division in 2001. From 2002 to July 2004, he was co-president of institutional securities at Credit Suisse First Boston, and from 2004 until 2005, he was CEO of Credit Suisse First Boston and, after the merger with Credit Suisse in May 2005, he was CEO of Investment Banking until 2007.

Mr. Dougan received a BA in Economics in 1981 and an MBA in Finance in 1982 from the University of Chicago, Illinois.

Mr. Dougan has been a member of the board of directors of Humacyte Inc., a biotechnology company, since 2005. He has also been a member of the board of trustees of the University of Chicago since January 2013.

Gaël de Boissard jointly leads the Investment Banking division together with Eric Varvel with responsibility for the Fixed Income business. He is also CEO of the EMEA region. Gaël de Boissard has been a member of the Executive Board since January 2013.

Prior to his appointment to the Executive Board, Mr. de Boissard spent four years as the Co-Head of Global Securities with responsibility for trading and risk management of Fixed Income products and was previously responsible for Global Rates and Foreign Exchange. Mr. de Boissard joined Credit Suisse First Boston in 2001 from JPMorgan Chase, where he worked in a variety of roles in fixed income, having started in the Paris office in 1990.

Mr. de Boissard graduated with a degree in Mathematics and Civil Engineering from the Ecole Polytechnique in Palaiseau, France, and received a degree in Russian from the University of Volgograd.

From 2009 to 2013, Mr. de Boissard chaired the Association of Financial Markets in Europe, an industry organization that engages with policymakers on financial regulation.

**Romeo Cerutti**
**Born 1962**
**Swiss and Italian Citizen**

Romeo Cerutti has been Group General Counsel and a member of the Executive Board since April 2009.

Prior to that, Mr. Cerutti was General Counsel of the Private Banking division from 2006 to 2009 and global Co-Head of Compliance of Credit Suisse from 2008 to 2009. Before joining Credit Suisse, Mr. Cerutti was a partner of the group holding of Lombard Odier Darier Hentsch & Cie, from 2004 to 2006, and head of corporate finance at Lombard Odier Darier Hentsch & Cie from 1999 to 2006. Prior to that position, Mr. Cerutti was in private practice as an attorney-at-law with Homburger Rechtsanwälte in Zurich from 1995 to 1999 and with Latham and Watkins in Los Angeles from 1993 to 1995.

Mr. Cerutti studied law at the University of Fribourg and obtained his doctorate in 1990. He was admitted to the bar of the canton of Zurich in 1989 and the bar of the state of California in 1992. Mr. Cerutti also holds a Master of Laws from the University of California, School of Law, Los Angeles.

Mr. Cerutti has been a member of the board of trustees of the University of Fribourg since 2006. He also currently represents Credit Suisse on the board of the Swiss Bankers Association since December 2012.

**Tobias Guldimann**
**Born 1961**
**Swiss Citizen**

Tobias Guldimann was CRO of Credit Suisse since 2009 and a member of the Executive Board in the role of Group CRO since 2004 until he stepped down effective December 31, 2013.

Mr. Guldimann joined Credit Suisse's Internal Audit department in 1986 before transferring to Investment Banking in 1990. He later became Head of Derivatives Sales in 1992, Head of Treasury Sales in 1993 and Head of Global Treasury Coordination at Credit Suisse in 1994. In 1997, he became responsible for the management support of the CEO of Credit Suisse First Boston before becoming Deputy CRO of Credit Suisse Group, a function he held from 1998 to 2004. From 2002 to 2004, he also served as Head of Strategic Risk Management at Credit Suisse.

Mr. Guldimann studied Economics at the University of Zurich and received a doctorate from the same university in 1989.

Mr. Guldimann has been a member of the International Financial Risk Institute (IFRI) since 2010 and became a member of the IFRI Executive Committee in 2011. He is also a member of the board of trustees of the Winterthur Art Museum.

**David R. Mathers**
**Born 1965**
**British Citizen**

David Mathers has been CFO of Credit Suisse Group and a member of the Executive Board since October 2010. He is also responsible for the Group's global IT and Operations functions.

Prior to his appointment as CFO, Mr. Mathers was Head of Finance and COO for Investment Banking in New York and London from 2007 to 2010. In this role, he was responsible for Investment Banking Finance, Operations, Expense Management and Strategy. Mr. Mathers started his career as a research analyst at HSBC James Capel in 1987 and became global head of equity research in 1997. He joined Credit Suisse in 1998, working in a number of senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities.

Mr. Mathers holds an MA in Natural Sciences from the University of Cambridge, England. Since 2011, he has also served as a member of the Council of the British-Swiss Chamber of Commerce.

**Hans-Ulrich Meister**
**Born 1959**
**Swiss Citizen**

Hans-Ulrich Meister jointly leads the Private Banking & Wealth Management division together with Robert Shafir, with responsibility for the Private Banking business. He is also CEO of the region Switzerland. Mr. Meister has been a member of the Executive Board since September 2008.

Between 2011 and 2012, Mr. Meister served as CEO of Private Banking and from 2008 onward as CEO of the Swiss region, a role he continues to hold. Before joining Credit Suisse in 2008, Mr. Meister spent 25 years with UBS. Among the roles he had were head of corporate banking region Zurich from 1999 to 2002, head of large corporates and multinationals from 2003 to 2005 and head of business banking from 2005 to 2007. From 2002 to 2003, he worked on group projects in the area of wealth management, based in New York. From 2004 to 2007, Mr. Meister was a member of UBS's group managing board.

Mr. Meister graduated from the University of Applied Sciences in Zurich in 1987, majoring in Economics and Business Administration. In addition, he attended Advanced Management programs at the Wharton School, University of Pennsylvania in 2000 and the Harvard Business School in 2002.

Mr. Meister has been a member of the foundation board of the Swiss Finance Institute since 2008. He has also been a member of the board of directors of the Zurich Chamber of Commerce since 2010. Since 2013, Mr. Meister has served as member of the foundation board of the Zurich Zoo.

**Joachim Oechslin**
**Born 1971**
**Swiss Citizen**

Joachim Oechslin was appointed CRO and a member of the Executive Board of Credit Suisse as of January 1, 2014.

Mr. Oechslin started his professional career in 1998 as a consultant at McKinsey & Company in Zurich. In 2001, he joined Winterthur Life & Pensions and was subsequently appointed CRO (2003) and a member of the executive committee of Winterthur Group (2006). With the sale of Winterthur to AXA in 2006, he took over the position of deputy CRO at AXA in Paris. In September 2007, he joined Munich Re Group in Munich as CRO and remained in that position until joining Credit Suisse in 2014.

Mr. Oechslin holds a master's degree in Mathematics from the Swiss Federal Institute of Technology in Zurich (1998) and an engineering degree from the Higher Technical Institute in Winterthur (2004).

Mr. Oechslin is a member of the International Financial Risk Institute.

**Robert S. Shafir**
**Born 1958**
**US Citizen**

Robert Shafir jointly leads the Private Banking & Wealth Management division together with Hans-Ulrich Meister, with responsibility for Private Banking & Wealth Management Products. He is also CEO of the Americas region. Mr. Shafir has been a member of the Executive Board since August 2007.

From 2008 until 2012, Mr. Shafir was CEO of Asset Management and also held the position of CEO of the Americas region between 2007 and 2010, reappointed to this role in 2012. Mr. Shafir joined Credit Suisse from Lehman Brothers in 2007, where he worked for 17 years, having served as head of equities and a member of their executive committee. He also held other senior roles, including head of European equities and global head of equities trading, and played a key role in building Lehman's equities business into a global, institutionally focused franchise. Prior to that, he worked at Morgan Stanley in the preferred stock business within the fixed income division.

Mr. Shafir received a BA in Economics from Lafayette College, Pennsylvania, in 1980, and an MBA from Columbia University, Graduate School of Business, New York, in 1984.

Mr. Shafir is a member of the board of directors of the Cystic Fibrosis Foundation.

**Pamela A. Thomas-Graham**
**Born 1963**
**US Citizen**

Pamela Thomas-Graham is Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets. She has been a member of the Executive Board since January 2010.

Prior to joining the Group, Ms. Thomas-Graham was a managing director in the private equity group of Angelo, Gordon & Co., a New York-based investment management firm, from 2008 to 2010. She previously served as group president of Liz Claiborne Inc.'s women's wholesale apparel business from 2005 to 2008. Ms. Thomas-Graham was at NBC for six years from 1999 to 2005, where she served as president, CEO and chairwoman of CNBC television and a director of CNBC International. She also served as president and CEO of CNBC.com. Prior to that, she worked at McKinsey & Company for ten years from 1989 to 1999.

Ms. Thomas-Graham obtained a BA in Economics from Harvard University, Massachusetts, in 1985, a JD from Harvard Law School in 1989 and an MBA from Harvard Business School in 1989.

Ms. Thomas-Graham is a member of the board of directors of the Clorox Company and a member of the board of governors of the Parsons School of Design. She is also a member of the Council on Foreign Relations, the Economic Club of New York, the Trustees Education Committee of the Museum of Modern Art and the Business Committee of the Metropolitan Museum of Art. In addition, she is a member of the board of the New York Philharmonic.

**Eric M. Varvel**
**Born 1963**
**US Citizen**

Eric Varvel jointly leads the Investment Banking division together with Gaël de Boissard, with responsibility for the Equities & Investment Banking business. He is also the CEO of the Asia Pacific region. Eric Varvel has been a member of the Executive Board since February 2008.

From 2010 until 2012, Mr. Varvel was CEO of Investment Banking and served as acting CEO from September 2009 until July 2010. From 2008 until 2010, Mr. Varvel was CEO of the EMEA region. Prior to his appointment to the Executive Board in 2008, he was Co-Head of the Global Investment Banking department and Head of the Global Markets Solutions Group in the Investment Banking division of Credit Suisse for over three years, based in New York. Before that, Mr. Varvel spent 15 years in the Asia Pacific region in a variety of senior roles, including Head of Investment Banking and Emerging Markets Coverage for the Asia Pacific region ex-Japan and Head of Fixed Income Sales and Corporate Derivative Sales. During that time, Mr. Varvel was based in Tokyo, Jakarta and Singapore. Mr. Varvel joined Credit Suisse in 1990. Previously, he worked as an analyst for Morgan Stanley in its investment banking department in New York and Tokyo.

Mr. Varvel holds a BA in Business Finance from Brigham Young University, Utah.

Since 2010, Mr. Varvel has been a member of the board of directors of the Qatar Exchange.

## ADDITIONAL INFORMATION

### Changes in control and defense measures

#### Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

#### Clauses on changes in control

Subject to certain provisions in the Group's employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

### Internal and external auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

#### Internal Audit

Our Internal Audit function comprises a team of around 240 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit, Martyn Scrivens, reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Regulations of Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

### External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Simon Ryder, Group Engagement Partner (since 2010).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

## Fees paid to external auditors

| | 2013 | 2012 | % change |
|---|---|---|---|
| **Fees paid to external auditors (CHF million)** | | | |
| Audit services [1] | 36.7 | 39.7 | (8) |
| Audit-related services [2] | 6.4 | 6.5 | (2) |
| Tax services [3] | 4.9 | 5.6 | (13) |

1 Audit fees include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries.

2 Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

3 Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2013 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

### American Depositary Share fees

#### Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (Depositary), may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

## Fees and charges for holders of ADS

| | |
|---|---|
| **Fees** | |
| USD 5 (or less) per 100 ADS (or portion thereof) | For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares. |
| USD 2 per 100 ADS | For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements. |
| Registration or transfer fees | For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares. |
| **Charges** | |
| Expenses of the Depositary | For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars. |
| Taxes and other governmental charges | Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon. |
| Other charges | Paid, as necessary, to the Depositary or its agents for servicing the deposited shares. |

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

#### Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2013 the Depositary made payments to the Group of USD 1.6 million, including for the reimbursement of expenses relating to its American Depositary Receipt (ADR) program. The Depositary has also contractually agreed to provide certain ADR program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

### Liquidation

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three-quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation; and
- a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

# Compensation

## Dear shareholders

During 2013, the Board of Directors, Compensation Committee and management continued to refine and evolve our compensation approach to take into account changes in the environment and the concerns of shareholders.

We believe that the purpose of compensation is to attract, motivate and retain employees who share our values of achieving results with integrity and fairness. We are proactive in adapting our compensation to the changing business and regulatory environment while being mindful of the competitive environment. The new regulatory landscape has a significant influence on our strategy and that of many of our competitors and has increased the challenge of delivering high returns on capital in the banking industry. In that context, we must listen to our shareholders' concerns and ensure our compensation policy and practices achieve an appropriate balance between the interests of our shareholders and those of our employees.

In addition, we continue to monitor and ensure we comply with new regulations pertaining to compensation, in particular the Swiss Ordinance Against Excessive Compensation and the Capital Requirements Directive IV rules, as well as regulations governing material risk takers and controllers in the UK and the US.

### Key developments in 2013

One area we addressed in 2013 relates to the potential dilution to existing shareholders resulting from granting share-based awards as part of variable incentive compensation. To replace a portion of our share-based awards, we have introduced a new deferred compensation award referred to as Contingent Capital Awards (CCA). The CCA have rights and risks similar to the high-trigger capital instruments issued by Credit Suisse in the market (also known as CoCos) and help to strengthen further the regulatory capital base of the Group. However, unlike the instruments issued to the market, the CCA would not convert into equity upon a trigger event, but would be written down to zero. We intend to grant CCA as part of our annual deferred variable compensation awards in the future.

As a consequence of these changes to the variable compensation structure, our deferred compensation awards represent a set of instruments that supports our regulatory capital requirements and is consistent with instruments available to our investors.

In response to the Swiss Ordinance Against Excessive Compensation published in November 2013, while maintaining the advisory vote on overall compensation, we are preparing for the introduction of a binding vote on compensation for members of the Executive Board and Board of Directors at the 2015 Annual General Meeting. As a result, this Compensation Report is structured into three distinct sections, addressing the compensation of Group employees, the Executive Board and the Board of Directors, respectively.

### Compensation decisions in 2013

In determining the overall Group variable compensation pools, the Compensation Committee took into consideration the improved financial performance of Credit Suisse in 2013 compared to the prior year, including relative performance compared to peers, as well as qualitative achievements and market compensation trends.

In seeking to achieve the appropriate balance between the interests of our shareholders and those of our employees, the Compensation Committee primarily focuses on economic contribution measured as income before taxes and variable incentive compensation expense, after deducting a charge for capital usage. Therefore, this metric considers the profitability of the Group and the capital utilized to achieve this profitability. The continued management focus on our cost-efficiency programs was evidenced by the 9% decline in total Group compensation and benefits expenses compared to the previous year, with the Group's overall compensation-to-revenue ratio declining to 44% in 2013, from 52% in 2012. Total compensation awarded for the performance year 2013 declined by 4% compared to 2012, and the Group variable incentive compensation pool for 2013 increased by 5%, reflecting the improved financial performance achieved, with underlying pre-tax income for 2013 increasing by 15%.

Variable incentive compensation awarded to our Executive Board members totaled CHF 47.4 million for performance in 2013, CHF 2.5 million or 5% lower than the CHF 49.9 million awarded in 2012, partly due to the reduction in the number of Executive Board members and resultant reassignment of previously separate executive responsibilities to other Executive Board members. Given the specific achievements related to the attainment of capital targets, improved control and compliance measures and market conditions, the incentive compensation awarded to the Executive Board members was, on average, 17% above the applicable target amounts and 31% below the individual caps.

Compensation to the members of the Board of Directors in 2013 was in line with previous years.

**Focus areas in 2014**

In terms of Executive Board compensation, we have made refinements to the performance criteria and targets as well as to the vesting period of awards.

For the 2014 performance evaluation, which will be used to determine the amount of incentive compensation, new financial performance criteria, such as wind-down targets for non-strategic positions have been introduced. This reflects the Group's emphasis on freeing up resources from non-strategic assets to grow our strategic and high-returning businesses. Financial criteria will have a weighting of 60%, whereas non-financial criteria will represent 40% of the overall performance evaluation of all Executive Board members. The non-financial performance component includes pre-specified qualitative criteria, of which 15% will be linked to pre-defined milestones to measure progress in strategy execution, delivery of major projects and infrastructure development. We believe these modifications ensure that our Executive Board members are assessed on a broader range of measures that better reflect the strategy of the Group.

The structure for Executive Board compensation has been slightly amended for 2014. In particular, the vesting period for the deferred short-term share-based awards to Executive Board members has been extended. Under the revised structure, no awards for the performance year 2014 will vest before the third anniversary of the date of grant, and the final vesting of awards will occur five years after the date of grant. In addition, the long-term incentive award will be delivered in a combination of shares and CCA, rather than cash and CCA, in response to shareholder feedback.

The Compensation Committee will continue to ensure full compliance with regulatory requirements as they develop and evolve, and we will monitor market trends to maintain our compensation structure in line with best practice. One particular area of focus for 2014 will be a review of our use of malus and clawback provisions in comparison to industry developments in this area, to further enhance the alignment of compensation with risk and performance. Emphasis will be placed on the time period during which variable compensation may be recovered, in light of emerging regulatory demands to extend this time period significantly beyond the vesting date. We will continue to assess the implications of the Capital Requirements Directive IV and intend to align compensation structures for affected employees in EU locations towards a ratio of 2:1 for variable compared to fixed compensation, in line with market practice.

Finally, the Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2013. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA. 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
April 2014

## GROUP COMPENSATION

### Compensation policy and objectives

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating them 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 Swiss Financial Market Supervisory Authority FINMA (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 of Directors (Board). The compensation policy is accessible to all employees and is published at www.credit-suisse.com/compensation.

### Compensation Committee

The Compensation Committee of the Board (Compensation Committee) is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for approval 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, Walter B. Kielholz, and Andreas N. Koopmann. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the rules of the New York Stock Exchange and the Nasdaq Stock Market 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.

#### Advisors to the Compensation Committee

The Compensation Committee is authorized to retain outside consultants, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. Johnson Associates, a compensation consulting firm, 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 does not provide any services to the Group other than those it provides to the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee.

#### 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 Executive Board members, senior management, compensation consultants and external legal counsel, as appropriate.

In January of each year, the Compensation Committee meets, with the Chairman 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 and the compensation payable to the CEO and other Executive Board members 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 process.

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) as defined on page 181. The Risk Committee is involved in the review process for MRTC.

During 2013, the Compensation Committee held 12 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 other senior employees, taking into account the key issues raised by shareholders 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 Swiss Ordinance Against Excessive Compensation;
- introducing a new form of deferred compensation award to address shareholder concerns regarding dilution; and
- 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.

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; and
- determine compensation of the Board, including the Chairman.

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). The requirements of this Circular apply to the Group globally, while the requirements of other regulators generally only apply in respect of operations in the relevant jurisdictions. 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, local plans are adapted accordingly. This generally results in additional terms, conditions and processes being implemented in the relevant locations.

The Compensation Committee is assessing the implications of the Capital Requirements Directive (CRD) IV and intends to align compensation structures for affected employees in EU locations towards a ratio of 2:1 for variable compared to fixed compensation, in line with market practice.

## 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. For this purpose, the Compensation Committee uses a measure of economic contribution to assess profitability. Economic contribution is measured at both the Group and divisional levels as underlying income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on allocated capital, which is defined as 10% of average Basel III risk-weighted assets. This measure of economic contribution considers the profitability of the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve an equal 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 its discretion to make adjustments to ensure that the overall size of the pools is consistent with the Group's compensation objectives.

As in the case for the Group, the primary measure of performance for determining the pools of the business divisions is divisional economic contribution. The methodology to determine the divisional pools also takes into account divisional key performance indicators (KPIs) and certain non-financial criteria, including risk control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

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 in April by the Compensation Committee and tracked throughout the year.

The peer groups used in 2013 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.

## 2013 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, Barclays, 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 peer groups and performance criteria were reviewed and reaffirmed by the Compensation Committee in April 2013.

### 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 any of the Group's 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 assess 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. 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 Communications, 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;
- 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 definition of the Group's UK regulator, the Prudential Regulation Authority (PRA), of "UK Code Staff"; and
- other individuals, whose roles, individually or as part of a group, have been identified as having a potential impact on market, reputational or operational risk of the Group.

#### Compensation process for MRTC

MRTC are subject to heightened levels of scrutiny over their performance and compensation. Managers of MRTC 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. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, 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 and performance-based clawback 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 provisions apply to Covered Employees 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 clawback provisions that enable 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 clawback provisions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

### 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. 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 2013 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 after the grant date over different time periods, depending on the award, and as described further below.

## Employee categories and components of total compensation for 2013

| Employee category | Base salary | Unrestricted cash | Share awards | Performance share awards | Contingent Capital Awards |
|---|---|---|---|---|---|
| | Total compensation | | | | |
| | Fixed compensation | Variable compensation | | | |
| | | | Deferred compensation[1] | | |
| Managing directors and directors who are MRTC | | | 30% | 50% | 20% |
| Other directors | | | 80% | | 20% |
| Other MRTC | | | 50% | 50% | |
| Other employees with total compensation above CHF/USD 250,000 | | | 100% | | |
| Employees with total compensation below CHF/USD 250,000 | | | | | |

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

### Base salaries

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

### Variable compensation and deferral rates

For 2013, variable compensation was paid in unrestricted cash unless the total compensation awarded to an employee for 2013 was more than or equal to CHF 250,000 (or USD 250,000 or the local currency equivalent), 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 deferral portion for 2013 ranged from 17.5% to 90% of variable compensation, unchanged from 2012, and the amount of variable compensation paid as unrestricted cash for 2013 was capped at CHF 2 million (or USD 2 million or the local currency equivalent) per employee. For 2013, 41,723 employees received variable compensation, representing 91% of total employees, of which 503 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 EU 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), subject to malus provisions. 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 average share price over the twelve business days ending on January 15, 2014. The final value of the share awards is solely dependent on the share price at the time of delivery. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 7,563 employees received share awards for 2013.

#### Performance share awards

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

▸ Refer to "Underlying results" in Executive Board compensation for reconciliation between reported and underlying results.

The amount of the potential negative adjustment for 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 after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 1,691 employees received performance share awards for 2013. 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 new form of deferred award that were granted as part of 2013 deferred variable compensation and 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 (CoCos). CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US dollar-denominated awards, respectively, until settlement. 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 received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from 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. The Group intends in future years to continue to grant CCA as one of its annual deferred variable compensation awards.

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.

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 391 million and a total of 5,679 employees received CCA for 2013.

### Other awards

The Group may employ other long-term incentive (LTI) 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 2013, this applied to approximately 345 employees, including certain employees engaged in the Investment Banking and Private Banking & Wealth Management divisions, and in the Credit Suisse Hedging-Griffo Investimentos S.A. subsidiary. All 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 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 2013 and 2012.

## Total compensation awarded

| For | | | 2013 | | | 2012 [1] |
|---|---|---|---|---|---|---|
| | Unrestricted | Deferred | **Total** | Unrestricted | Deferred | **Total** |
| **Fixed compensation (CHF million)** | | | | | | |
| Salaries | 5,525 | – | 5,525 | 6,063 | – | 6,063 |
| Social security | 778 | – | 778 | 769 | – | 769 |
| Other | 800 [2] | – | 800 | 837 [2] | – | 837 |
| **Total fixed compensation** | **7,103** | **–** | **7,103** | **7,669** | **–** | **7,669** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Unrestricted cash | 1,570 | – | 1,570 | 1,202 | – | 1,202 |
| Share awards | 18 | 827 | 845 | 6 | 950 [3] | 956 |
| Performance share awards | – | 663 | 663 | – | 660 | 660 |
| Contingent Capital Awards | – | 391 | 391 | – | – | – |
| Plus Bond awards | – | – | – | – | 187 | 187 |
| Restricted Cash Awards | – | – | – | – | 299 | 299 |
| Other cash awards | – | 142 | 142 | – | 119 | 119 |
| **Total variable incentive compensation** | **1,588** | **2,023** | **3,611** | **1,208** | **2,215** | **3,423** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 113 | – | 113 | 251 | – | 251 |
| Sign-on awards | 18 | 62 | 80 | 10 | 79 | 89 |
| Cash-based commissions | 198 | – | 198 | 157 | – | 157 |
| **Total other variable compensation** | **329** | **62** | **391** | **418** | **79** | **497** |
| **Total compensation awarded (CHF million)** | | | | | | |
| **Total compensation awarded** | **9,020** | **2,085** | **11,105** | **9,295** | **2,294** | **11,589** |
| of which guaranteed bonuses | – | – | 55 [4] | – | – | 69 [4] |

[1] Represents awards made in 2012, not adjusted for discontinued operations.
[2] Includes pension and other post-retirement expense of CHF 490 million and CHF 532 million in 2013 and 2012, respectively.
[3] Includes the notional value of CHF 38 million of share awards that was reallocated to Plus Bond awards as a part of the voluntary employee reallocation offer that took place subsequent to the grant date.
[4] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2013 was CHF 11.1 billion, down 4% compared to 2012, with headcount levels decreasing 3% and total compensation awarded per capita decreasing 1%. Total variable incentive compensation awarded for 2013 was CHF 3.6 billion, higher by 5% compared to 2012, reflecting the improved performance of the Group in 2013. Of the total variable incentive compensation awarded across the Group for 2013, 56% was deferred and subject to future service, performance, market and clawback criteria.

Cash severance awards relating to terminations of employment of CHF 255 million and CHF 215 million were paid in 2013 and 2012 to 2,141 and 3,065 employees, respectively. Sign-on awards of CHF 18 million and CHF 10 million were paid to 83 and 159 employees in 2013 and 2012, respectively.

## Number of employees awarded variable and other compensation

| | MRTC [1] | Other employees | 2013 Total | MRTC [1] | Other employees | 2012 Total |
|---|---|---|---|---|---|---|
| **Number of employees awarded variable compensation** | | | | | | |
| **Variable compensation** | **503** | **41,220** | **41,723** | **523** | **41,959** | **42,482** |
| of which unrestricted cash | 503 | 41,220 | 41,723 | 235 | 39,935 | 40,170 |
| of which share awards | 486 | 7,077 | 7,563 | 508 | 7,084 | 7,592 |
| of which performance share awards | 461 | 1,230 | 1,691 | 481 | 1,234 | 1,715 |
| of which Contingent Capital Awards | 470 | 5,209 | 5,679 | – | – | – |
| of which Plus Bond awards | – | – | – | 298 | 1,976 | 2,274 |
| of which Restricted Cash Awards | – | – | – | 285 | 1,976 | 2,261 |
| or which other cash awards | 62 | 283 | 345 | 41 | 48 | 89 |
| **Number of employees awarded other variable compensation** | | | | | | |
| Cash severance awards | 3 | 2,138 | 2,141 [2] | 9 | 3,056 | 3,065 [2] |
| Sign-on awards | 6 | 166 | 172 | 6 | 190 | 196 |
| Cash-based commissions | 0 | 369 | 369 | 0 | 370 | 370 |
| Guaranteed bonuses | 9 | 132 | 141 | 5 | 200 | 205 |

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 UK Code Staff.
2 Includes employees who received cash severance awards for termination of employment as of December 31, 2013 and 2012.

### Compensation awarded to Material Risk Takers and Controllers (MRTC)

The 503 employees classified as MRTC were awarded total compensation of CHF 1,355 million for 2013 and total variable incentive compensation of CHF 1,102 million for 2013, of which CHF 964 million, or 87%, was deferred. MRTC received 50% of their deferred compensation for 2013 in the form of performance share awards, which are subject to clawback provisions.

## Compensation awarded to Material Risk Takers and Controllers (MRTC)

| For | Unrestricted | Deferred | 2013 Total | Unrestricted | Deferred | 2012 Total |
|---|---|---|---|---|---|---|
| **Fixed compensation (CHF million)** | | | | | | |
| **Total fixed compensation** | **247** | **–** | **247** | **275** | **–** | **275** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Unrestricted cash | 138 | – | 138 | 77 | – | 77 |
| Share awards | – | 255 | 255 | – | 313 | 313 |
| Performance share awards | – | 407 | 407 | – | 404 | 404 |
| Contingent Capital Awards | – | 177 | 177 | – | – | – |
| Plus Bond awards | – | – | – | – | 107 | 107 |
| Restricted Cash Awards | – | – | – | – | 57 | 57 |
| Other cash awards | – | 125 | 125 | 2 | 33 | 35 |
| **Total variable incentive compensation** | **138** | **964** | **1,102** | **79** | **914** | **993** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 1 | – | 1 | 5 | – | 5 |
| Sign-on awards | 0 | 5 | 5 | 0 | 9 | 9 |
| Cash-based commissions | 0 | – | 0 | 0 | – | 0 |
| **Total other variable compensation** | **1** | **5** | **6** | **5** | **9** | **14** |
| **Total compensation (CHF million)** | | | | | | |
| **Total compensation** | **386** | **969** | **1,355** | **359** | **923** | **1,282** |
| of which guaranteed bonuses [1] | 3 | 11 | 14 | 1 | 4 | 5 |

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, 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, market and clawback criteria and other restrictive covenants.

In 2013, total compensation and benefits expenses decreased 9% compared to 2012, primarily due to lower variable compensation expense, related to lower amortization expense from deferred compensation awards granted in prior years, and lower salary expense, reflecting the reduction of headcount during the year.

## Group compensation and benefits expense

| in | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| December 31 | Current compen-sation | Deferred compen-sation | **Total** | Current compen-sation | Deferred compen-sation | **Total** |
| **Fixed compensation expense (CHF million)** | | | | | | |
| Salaries | 5,525 | – | 5,525 | 5,923 | – | 5,923 |
| Social security [1] | 778 | – | 778 | 769 | – | 769 |
| Other | 800 [2] | – | 800 | 817 [2] | – | 817 |
| **Total fixed compensation expense** | **7,103** | **–** | **7,103** | **7,509** | **–** | **7,509** |
| **Variable incentive compensation expense (CHF million)** | | | | | | |
| Unrestricted cash | 1,570 | – | 1,570 | 1,202 | – | 1,202 |
| Share awards | 18 | 814 [3] | 832 | 6 | 786 [3] | 792 |
| Performance share awards | – | 590 | 590 | – | 366 | 366 |
| Plus Bond awards [4] | | 37 | 37 | 187 | – | 187 |
| 2011 Partner Asset Facility awards [5] | – | 77 | 77 | – | 677 | 677 |
| Adjustable Performance Plan share awards | – | 31 | 31 | – | 74 | 74 |
| Adjustable Performance Plan cash awards | – | 4 | 4 | – | 286 | 286 |
| Restricted Cash Awards | – | 145 | 145 | – | 165 | 165 |
| Scaled Incentive Share Units | – | 41 | 41 | – | 97 | 97 |
| Incentive Share Units [6] | – | (3) | (3) | – | 62 | 62 |
| 2008 Partner Asset Facility awards [5] | – | 93 | 93 | – | 173 | 173 |
| Other cash awards | – | 434 | 434 | – | 362 | 362 |
| Discontinued operations | (6) | (21) | (27) | (44) | (23) | (67) |
| **Total variable incentive compensation expense** | **1,582** | **2,242** | **3,824** | **1,351** | **3,025** | **4,376** |
| **Other variable compensation expense (CHF million)** | | | | | | |
| Severance payments | 113 | – | 113 | 251 | – | 251 |
| Sign-on payments | 18 | – | 18 | 10 | – | 10 |
| Commissions | 198 | – | 198 | 157 | – | 157 |
| **Total other variable compensation expense** | **329** | **–** | **329** | **418** | **–** | **418** |
| **Total compensation expense (CHF million)** | | | | | | |
| **Total compensation expense** | **9,014** | **2,242** | **11,256** [7] | **9,278** | **3,025** | **12,303** [7] |

[1] Represents the Group's portion of employees' mandatory social security.
[2] Includes pension and other post-retirement expense of CHF 490 million and CHF 532 million in 2013 and 2012, respectively.
[3] Includes CHF 23 million and CHF 32 million of compensation expense associated with other share awards granted in 2013 and 2012, respectively.
[4] The Plus Bond awards granted to Investment Banking employees were fully vested and expensed on December 31, 2012. The Plus Bond awards provided to certain employees outside the Investment Banking division through a voluntary reallocation offer will vest on the third anniversary of the grant date in 2016 and will be expensed over the vesting period. Changes in the underlying fair value of the instruments may have an impact on deferred compensation expense in future periods.
[5] Includes the change in the underlying fair value of the indexed assets during the period.
[6] Includes forfeitures.
[7] Includes severance and other compensation expense relating to headcount reductions of CHF 218 million and CHF 456 million in 2013 and 2012, 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 2013 and prior years that were outstanding as of December 31, 2013, with comparative information for 2012. 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 | | **2013** | Deferred compensation | | 2012 |
|---|---|---|---|---|---|---|
| | For 2013 | For prior-year awards | **Total** | For 2012 | For prior-year awards | **Total** |
| **Estimated unrecognized compensation expense (CHF million)** | | | | | | |
| Share awards | 823 | 804 [1] | 1,627 | 935 | 706 [1] | 1,641 |
| Performance share awards | 660 | 221 | 881 | 677 | 161 | 838 |
| Contingent Capital Awards | 433 | – | 433 | – | – | – |
| Plus Bond awards [2] | – | 18 | 18 | 37 | – | 37 |
| Adjustable Performance Plan share awards | – | 11 | 11 | – | 42 | 42 |
| Adjustable Performance Plan cash awards | – | 13 | 13 | – | 54 | 54 |
| Restricted Cash Awards | – | 136 | 136 | 299 | – | 299 |
| Scaled Incentive Share Units | – | – | – | – | 73 | 73 |
| Other cash awards | 136 | 111 | 247 | 118 | 72 | 190 |
| **Estimated unrecognized compensation expense** | **2,052** | **1,314** | **3,366** | **2,066** | **1,108** | **3,174** |

1 Includes CHF 39 million and CHF 47 million of estimated unrecognized compensation expense associated with other share awards granted to new employees in 2013 and 2012, 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 2013 on page 203.

### 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 obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price.

The practice of purchasing shares in the market was suspended in 2011 while the Group focused on meeting the increased regulatory capital requirements under the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations. Beginning in 2011, the Group started issuing new shares from conditional capital to settle outstanding share-based awards and in 2013 it issued 37.8 million shares to meet its share delivery obligations. With the attainment of its capital targets, the Group resumed in the second half of 2013 its policy of acquiring a portion of the necessary shares in the market. The Group envisages that the majority of such future obligations will be met through acquisitions in the market.

#### Share-based awards outstanding

At the end of 2013, there were 134.7 million share-based awards outstanding, including 72.9 million share awards, 41.4 million performance share awards, and 14.5 million Adjustable Performance Plan 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 2013 was 1,596 million. Additionally, the Group had 550 million shares available to support contingent capital instruments, including 499 million shares relating to certain contingent capital notes convertible into equity that have already issued in the market. 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 6.3% of shares both issued and potentially issuable in respect of contingent capital instruments as of the end of 2013. The Group intends to continue to use CCA in future years as part of its compensation program, partly in lieu of share-based awards. Over the next three years, this is expected to reduce the number of outstanding share-based awards. The extent of this reduction will depend on the size of future variable compensation pools, the amount of deferral and other key assumptions including the share price. However, 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 2014, the Group granted approximately 30.2 million new share awards and 24.2 million new performance share awards with respect to performance in 2013. In lieu of granting additional share awards in 2014, the Group awarded CHF 391 million of deferred variable compensation in the form of CCA (equivalent to approximately 13.6 million share-based awards, had they been granted).

In the first half of 2014, the Group plans to settle 54.5 million deferred awards from prior years, including 26.8 million share awards, 15.9 million performance share awards, 7.2 million Adjustable Performance Plan share awards, and 4.6 million other awards. The Group plans to meet this delivery obligation through market purchases and share issuances, including the issuance of 11 million shares from current conditional capital. At the Annual General Meeting (AGM) on May 9, 2014, the Board will propose to increase conditional capital by 30 million shares. It is the Group's intention that the newly created conditional capital should only be used 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 "Look-through CET1 ratio" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital metrics under Basel III 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 underlying 2008 Partner Asset Facility (PAF), 2011 Partner Asset Facility (PAF2) and Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by clawback 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 PAF, PAF2, 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 2012 and 2013, respectively, indicating the value of changes due to implicit and explicit adjustments. For 2013, 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 underlying PAF and PAF2 assets during the period.

## Fair value of outstanding deferred compensation awards

| | | Change in value | | |
|---|---|---|---|---|
| in / end | 2012 | Implicit | Explicit | 2013 |
| **Share-based awards (CHF per unit)** | | | | |
| Scaled Incentive Share Units granted for 2009 | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2010 [1] | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2011 [2] | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2012 [3] | 24.6 | 2.7 | 0.0 | 27.3 |
| Performance share awards granted for 2011 [2] | 22.3 | 5.0 | 0.0 | 27.3 |
| Performance share awards granted for 2012 [3] | 24.6 | 2.7 | 0.0 | 27.3 |
| Adjustable Performance Plan share awards | 23.3 | 5.0 | 1.9 | 30.2 |
| **Cash-based awards (CHF per unit)** | | | | |
| 2008 Partner Asset Facility awards (PAF) | 1.80 | 0.21 | 0.00 | 2.01 |
| Adjustable Performance Plan cash awards granted for 2010 | 1.06 | (0.09) | 0.08 | 1.05 |
| 2011 Partner Asset Facility awards (PAF2) | 0.90 | (0.05) | 0.00 | 0.85 |
| Plus Bond awards granted for 2012 | 1.00 | 0.02 | 0.00 | 1.02 |

[1] Represents awards granted in January 2011 for 2010.
[2] Represents awards granted in January 2012 for 2011.
[3] Represents awards granted in January 2013 for 2012.

## EXECUTIVE BOARD COMPENSATION

### Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board upon recommendation by the Compensation Committee. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members and the CEO based on actual performance compared to pre-defined individual objectives and targets.

### Basis of determining compensation for Executive Board members

For 2013, the Compensation Committee defined individual target levels of incentive compensation, expressed as a multiple of base salary, and individual caps limiting the total amount of compensation that can be awarded. The Compensation Committee also established quantitative and qualitative performance criteria for each Executive Board member, including the CEO, which were published in the 2012 Compensation Report.

In determining the compensation targets and caps, competitive market levels of compensation for each individual role, with reference to a group of peers, were taken into account. The market data on executive compensation levels was provided to the Compensation Committee by its compensation advisor, Johnson Associates.

▸ 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. 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 underlying net income.

### Performance evaluation for 2013

In January 2014, the Compensation Committee completed its performance evaluation for the 2013 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 2013 as set out in the 2012 Compensation Report and considered the qualitative assessment of each Executive Board member. This qualitative assessment took into account financial performance in areas that did not specifically form part of the pre-defined quantitative financial targets, as well as non-financial elements of performance at the Group and divisional levels.

## Key features of Executive Board compensation – 2013

| Approach | Composition | | Vesting timeline (payout in year after grant) Year 1 | 2 | 3 | 4 | 5 | Key features |
|---|---|---|---|---|---|---|---|---|
| ▪ Compensation decisions are based on pre-defined **quantitative and qualitative performance criteria**<br>▪ **Individual target and cap levels** for incentive compensation<br>▪ **Cap on aggregate incentive compensation awarded** to Executive Board members (2.5% of Group underlying net income)<br>▪ **90% deferred** and final amounts subject to **performance-based vesting criteria and malus provisions** | 50% STI awards | Cash: **10%** | Full award at grant | | | | | Unrestricted cash |
| | | Performance share award: **40%** | ⅓ | ⅓ | ⅓ | | | 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 | Cash-based award: **30%** | | | ⅓ | ⅓ | ⅓ | The amount payable at vesting for all LTI awards ranges from 0 to 200% of the grant value and is determined based on:<br>▪ Total shareholder return relative to peers, based on a rolling average over three years (primary metric)<br>▪ Average underlying ROE compared to targets (secondary metric) |
| | | Contingent Capital Award (CCA): **20%** | | | ⅓ | ⅓ | ⅓ | The CCA tranche is loss-absorbing and subject to write-down based on the Group's capital position |

### Group performance evaluation

For 2013, the Compensation Committee considered that underlying results would be the most appropriate reflection of the Group's operating results. Therefore, the underlying results were selected as the measure for evaluating the Executive Board's contribution to the Group's financial performance for compensation purposes. The primary difference between the Group's reported and underlying results for 2013 included the impact of charges to the income statement arising from changes in the fair value of the Group's debt which resulted from improvements in the Group's credit spreads, realignment costs and certain litigation provisions. Underlying results are non-GAAP financial measures and the tables beginning with "Underlying results" below provide a reconciliation of the Group and divisional underlying results to the most directly comparable US GAAP measures.

▸ 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.

The Group's results in 2013 improved over the previous year, with underlying pre-tax income increasing to CHF 5.7 billion from CHF 5.0 billion in 2012. Notwithstanding this improvement, underlying ROE was 10.0% compared to the target of 11.0% in 2013, and compared to 10.4% in 2012, reflecting the Group's focus on a strengthened capital base. The Look-through CET1 ratio was 10.0% at the end of 2013 compared to 8.0% in 2012. The Group's underlying cost/income ratio for the full year 2013 was 76.9% compared to 79.5% in 2012, reflecting continued progress towards the target cost/income ratio of 70.0% with the implementation of cost-efficiency measures.

## Underlying results

| | Net revenues | | Total operating expenses | | Core pre-tax income | | Net income attributable to shareholders | |
|---|---|---|---|---|---|---|---|---|
| in | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Overview of significant items (CHF million)** | | | | | | | | |
| **Reported results** | **25,217** | **23,251** | **21,546** | **21,193** | **3,504** | **1,888** | **2,326** [1] | **1,349** [1] |
| **Cost/income ratio (%)** | – | – | – | – | **85.4** | **91.1** | – | – |
| **Reported return on equity attributable to shareholders (%)** | – | – | – | – | – | – | **5.7** | **3.9** |
| Reconciling items | | | | | | | | |
| Fair value losses/(gains) from movement in own credit spreads | 296 | 2,912 | (19) | (27) | 315 | 2,939 | 261 | 2,261 |
| Realignment costs | 0 | 15 | (394) | (665) | 394 | 680 | 290 | 477 |
| IT architecture simplification | 0 | 0 | (128) | 0 | 128 | 0 | 103 | 0 |
| Certain litigation provisions | 0 | 0 | (1,365) | (363) | 1,365 [2] | 363 [3] | 1,038 [2] | 230 [3] |
| Business disposals | 13 | (388) | 4 | 0 | 9 [4] | (388) [5] | (96) [4] | (336) [5] |
| Impairment and other losses | 86 | 68 | (12) | 0 | 98 [6] | 68 [7] | 63 [6] | 41 [7] |
| Gain on sale of real estate | (68) | (533) | 0 | 0 | (68) | (533) | (61) | (445) |
| UK deferred tax asset reduction [8] | 0 | 0 | 0 | 0 | 0 | 0 | 173 | 160 |
| **Underlying results** | **25,544** | **25,325** | **19,632** | **20,138** | **5,745** | **5,017** | **4,097** | **3,737** |
| **Underlying cost/income ratio (%)** | – | – | – | – | **76.9** | **79.5** | – | – |
| **Underlying return on equity attributable to shareholders (%)** | – | – | – | – | – | – | **10.0** | **10.4** |

1 The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center. Refer to "Discontinued operations" in II – Operating and financial review – Credit Suisse for further information.
2 Includes i) litigation provisions in Investment Banking related to the March 2014 agreement with the Federal Housing Finance Agency (FHFA) to settle certain litigation relating to residential mortgage-backed securities (RMBS) of CHF 467 million (CHF 275 million after tax); ii) litigation provisions in Investment Banking in connection with certain mortgage-related matters of CHF 298 million (after tax CHF 176 million); and iii) litigation provisions in Private Banking & Wealth Management in connection with the US tax matter of CHF 600 million (CHF 587 million after tax), including CHF 175 million (CHF 162 million after tax) in connection with the settlement with the SEC in February 2014.
3 Includes i) litigation provisions related to National Century Financial Enterprises, Inc. of CHF 227 million (CHF 134 million after tax); and ii) significant Investment Banking litigation provisions of CHF 136 million (CHF 96 million after tax).
4 Includes i) net gain on the sale of Strategic Partners of CHF 79 million, net of expenses of CHF 12 million (CHF 35 million after tax); ii) expenses in connection with the sale of Customized Fund Investment Group (CFIG) of CHF 56 million (CHF 32 million after tax); iii) net gain on the sale of the Group's ETF business of CHF 135 million, net of expenses of CHF 11 million (CHF 114 million after tax); iv) net gains on private equity disposals of CHF 34 million, net of expenses of CHF 6 million (CHF 20 million after tax); v) loss on the sale of JO Hambro of CHF 53 million (CHF 38 million after tax); and vi) reclassifications to discontinued operations through the Corporate Center of CHF 144 million, net of expenses of CHF 93 million (CHF 108 million after tax) primarily related to the sale of the ETF business, Strategic Partners and CFIG.
5 Includes i) gain on the sale of the Group's ownership interest in Aberdeen Asset Management (Aberdeen) of CHF 384 million (CHF 326 million after tax); ii) gain on the sale of Wincasa of CHF 45 million (CHF 45 million after tax); iii) gain on the sale of a non-core business from the integration of Clariden Leu of CHF 41 million (CHF 37 million after tax); and iv) losses on private equity disposals of CHF 82 million (CHF 72 million after tax).
6 Includes i) impairment related to Asset Management Finance LLC (AMF) and other losses of CHF 86 million (CHF 51 million after tax); and ii) goodwill impairment relating to the set-up of Private Banking & Wealth Management's non-strategic unit of CHF 12 million (CHF 12 million after tax).
7 Reflects the impairment related to AMF and other losses.
8 Reflects the corporate income tax reduction enacted in the UK.

The Compensation Committee noted that the Group largely completed its capital plan announced in July 2012. The Group also reduced leverage exposure by CHF 275 billion compared to the third quarter of 2012, to CHF 1,130 billion as of 2013, which was below the original year-end target. In terms of improved operating efficiency, the Group achieved cost reductions of CHF 3.1 billion for the full year 2013, 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 and current year variable compensation expense. The qualitative factors taken into consideration included the strong focus on, and maintenance of, the control environment, with a positive trend in Internal Audit results, a further improvement of supervisory control ratings and careful risk management in accordance with the Board's risk appetite policy. The Compensation Committee also considered the developments in the area of human capital, which saw an increase in internal hiring and management development across functional areas, and continued progress in diversity and inclusion. In respect of Corporate Citizenship, new initiatives were implemented in the areas of employee engagement in volunteering events, global education and micro-finance capacity building.

## Underlying results – Private Banking & Wealth Management

| | Net revenues | | Total operating expenses | | Pre-tax income [1] | | Cost/income ratio (%) | |
|---|---|---|---|---|---|---|---|---|
| in | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Overview of significant items (CHF million)** | | | | | | | | |
| **Reported results** | **13,442** | **13,474** | **10,050** | **9,517** | **3,240** | **3,775** | **74.8** | **70.6** |
| Reconciling items | | | | | | | | |
| Certain litigation provisions | 0 | 0 | (600) | 0 | 600 [2] | 0 | – | – |
| Business disposals | (305) | (388) | (89) | 0 | (216) [3] | (388) [4] | – | – |
| Impairment and other losses | 86 | 68 | (12) | 0 | 98 [5] | 68 [6] | – | – |
| **Underlying results** | **13,223** | **13,154** | **9,349** | **9,517** | **3,722** | **3,455** | **70.7** | **72.4** |

1 The gains and expenses related to the business disposals are included in the segment's non-strategic results. Refer to "Discontinued operations" in II – Operating and financial review – Credit Suisse for further information.
2 Reflects litigation provisions in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC.
3 Includes i) net gain on the sale of Strategic Partners of CHF 79 million, net of expenses of CHF 12 million; ii) expenses in connection with the sale of CFIG of CHF 56 million; iii) net gain on the sale of the Group's ETF business of CHF 135 million, net of expenses of CHF 11 million; iv) gain on private equity disposals of CHF 34 million, net of expenses of CHF 6 million; and v) net gain on the sale of JO Hambro of CHF 28 million.
4 Includes i) gain on the sale of the Group's ownership interest in Aberdeen of CHF 384 million; ii) gain on the sale of Wincasa of CHF 45 million; iii) gain on the sale of a non-core business from the integration of Clariden Leu of CHF 41 million; and iv) losses on private equity disposals of CHF 82 million.
5 Includes i) impairment related to AMF and other losses of CHF 86 million; and ii) goodwill impairment relating to the set-up of Private Banking & Wealth Management's non-strategic unit of CHF 12 million.
6 Reflects the impairment of AMF and other losses.

## Underlying results – Investment Banking

| | Net revenues | | Total operating expenses | | Pre-tax income | | Return on allocated capital (%) | |
|---|---|---|---|---|---|---|---|---|
| in | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Overview of significant items (CHF million)** | | | | | | | | |
| **Reported results** | **12,565** | **12,558** | **10,833** | **10,568** | **1,719** | **2,002** | **6.8** | **7.2** |
| Reconciling items | | | | | | | | |
| Certain litigation provisions | 0 | 0 | (765) | (136) | 765 [1] | 136 [2] | – | – |
| **Underlying results** | **12,565** | **12,558** | **10,068** | **10,432** | **2,484** | **2,138** | **9.8** [3] | **7.7** [3] |

1 Includes i) litigation provisions related to the March 2014 FHFA settlement of CHF 467 million (CHF 275 million after tax); and ii) litigation provisions in connection with certain mortgage-related matters of CHF 298 million (after tax CHF 176 million).
2 Reflects the significant Investment Banking litigation provisions.
3 Calculated using underlying income after tax denominated in US dollars and assumes tax rates of 27% in 2013 and 25% in 2012 and that capital is allocated at 10% of average Basel III risk-weighted assets and 2.4% of average Swiss leverage exposure.

### Divisional performance evaluation

In Private Banking & Wealth Management, the Compensation Committee acknowledged improvement in the key financial indicators relevant to the division. Underlying pre-tax income for 2013 was CHF 3.7 billion compared to CHF 3.5 billion in 2012, and the underlying cost/income ratio improved to 70.7% compared to the target of 70.0%, from 72.4% in 2012, reflecting stronger cost efficiency discipline. With regard to the qualitative assessment, the Compensation Committee considered the continued strong asset gathering momentum ahead of most peers for net new assets in targeted markets, particularly in emerging markets and the ultra-high-net-worth individual client business. It also noted the successful restructuring and improved profitability of the Asset Management business, which mainly reflected the continued focus on alternative investment strategies, including emerging markets, and core investments, both in asset allocation and traditional products.

In Investment Banking, the Compensation Committee recognized the improvement in its key financial indicators, with underlying pre-tax income of CHF 2.5 billion for the full year 2013 compared to CHF 2.1 billion in 2012, and an underlying return on allocated capital of 9.8% compared to the target of 11.0% and compared to 7.7% achieved in 2012. For the purposes of determining compensation, the performance criteria of underlying return on allocated capital is measured as the after-tax return on capital calculated as the average of 10% of Basel III risk-weighted assets and 2.4% of leverage exposure. With regards to the qualitative assessment, the Compensation Committee noted the successful alignment of the business model to new market and regulatory requirements, the strong market share maintained by the Equities business and the significant turnaround in profitability of the Asia Pacific region. In addition, Investment Banking risk-weighted assets under Basel III were reduced from USD 187 billion at year-end 2012 to USD 176 billion at year-end 2013, compared to the target level of less than USD 175 billion by year-end 2013.

For Shared Services functions, the Compensation Committee acknowledged the robust control and support environment combined with cost discipline compared to budget and efficiency gains, while transitioning the business to new regulatory requirements.

## 2013 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 | 0.2 – 0.4 | 0.3 | 0.3 – 0.7 | 0.4 |
| Short-term incentive award | 0.6 – 1.7 | 1.1 | 1.2 – 2.9 | 1.6 |
| **Long-term incentive award** | 0.8 – 2.1 | 1.3 | 1.5 – 3.5 | 2.0 |

## Executive Board compensation for 2013

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million, except where indicated)** | | | | | | | | |
| 9 members | 14.08 | 3.93 | 21.86 [5] | 21.58 | 0.58 | 2.74 | – | **64.77** |
| % of total compensation | 22% | 6% | 34% | 33% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.69 | 2.77 | 3.46 | 0.01 | 0.36 | – | **9.79** |
| % of total compensation | 26% | 7% | 28% | 35% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses and child allowances.
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 During 2013, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 4.8 million of charitable contributions made by the Group for which the CEO and three other Executive Board members are able to make recommendations.
5 Short-term incentive 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 UK Code Staff under the regulations of the PRA and the Executive Board member that stepped down. The applicable Group share price for all share awards was CHF 28.78.

### Compensation decisions

Based on this evaluation of the Group, divisional and individual performance, the Board agreed with the Compensation Committee's conclusion that overall, the Executive Board members had exceeded their challenging performance targets for 2013 and approved the Compensation Committee's recommendations on the amount of incentive compensation to be awarded. The quantitative financial assessment resulted in the grant of awards averaging 12% below the target amounts for these components of compensation, while compensation linked to the qualitative assessment of the Executive Board members was, on average, 37% above the target amounts. On average, the variable compensation amounts as determined from the formulaic assessment were adjusted upward by approximately 10%. In applying its discretion to adjust the amount of variable incentive compensation awarded to individual Executive Board members, the Compensation Committee recognized specific achievements in reaching targeted capital levels ahead of schedule, strong relative performance compared to peers, an improved level of control and compliance and adjustments to take into account market levels of compensation for comparable roles at peer firms.

The variable incentive compensation awarded totaled CHF 47.4 million, CHF 2.5 million or 5% lower than the CHF 49.9 million in 2012, partly due to the reduction in the number of Executive Board members and resultant reassignment of previously separate executive responsibilities to other Executive Board members. Variable incentive compensation awarded to the Executive Board was, on average, 17% above the individual target amounts and 31% below the individual caps. The aggregate pool awarded to all members of the Executive Board was less than half the amount of the overall cap set at CHF 102.4 million, or 2.5% of Group underlying net income. The components of the awards granted are shown in the "Executive Board compensation for 2013" table.

**2013 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 improved financial position of the Group in 2013. This was reflected in underlying pre-tax income of CHF 5.7 billion, compared to CHF 5.0 billion in the prior year, and an underlying cost/income ratio of 76.9% in 2013 compared to 79.5% in 2012. The Compensation Committee considered the achievement of capital requirement targets and the progress made in transitioning the business to the challenging new regulatory and market environment. In particular under Mr. Dougan's leadership, the Group strengthened its capital position, increasing its Look-through CET1 ratio of 10.0% as of the end of 2013, from 8.0% in 2012. Further, the Group reduced its leverage exposure to CHF 1,130 billion as of the end of 2013, from CHF 1,276 billion as of the end of 2012, and achieved a Look-through Swiss leverage ratio of 3.7%, compared to the FINMA requirement of 4.0% applicable in 2019. The Compensation Committee also recognized the steady progress made towards meeting the Group's challenging target of achieving more than CHF 4.5 billion in cost reductions by year-end 2015. In terms of strategy execution, the Compensation Committee noted the creation of non-strategic units within the business divisions, to accelerate the shift of resources to focus on growth in high-returning businesses. Given the strong performance of Mr. Dougan during 2013 and his achievements in positioning the firm for the future, the Board approved the recommendation of the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 0.69 million, a short-term incentive (STI) award of CHF 2.77 million and a long-term incentive (LTI) award of CHF 3.46 million, representing, in aggregate, 103% of his target compensation set for 2013.

## Executive Board compensation for 2012

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2012 (CHF million, except where indicated)** | | | | | | | | |
| 13 members [5] | 17.75 | 13.56 [6] | 20.95 [7] | 15.40 | 4.28 | 2.18 | – | **74.12** |
| % of total compensation | 24% | 18% | 28% | 21% | | | | |
| of which highest paid: Robert Shafir | 1.40 | 0.70 | 3.50 | 2.80 | 1.91 [8] | 0.28 | – | **10.59** |
| % of total compensation | 13% | 7% | 33% | 26% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.50 | 2.50 | 2.00 | 0.04 | 0.23 | – | **7.77** |
| % of total compensation | 32% | 6% | 32% | 26% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest.
2 Share awards 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.
3 During 2012, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations.
5 Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012.
6 Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012.
7 All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62.
8 CHF 1.87 million of this amount was granted as carried interest in 2012. In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

**2013 compensation structure**

The annual 2013 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.

In 2013, the incentive compensation granted to each Executive Board member generally consisted of:

- 10% as unrestricted cash payment;
- 40% as STI awards in the form of a deferred performance share award; and
- 50% as LTI awards in the form of deferred cash and CCA.

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 – 2013". These awards are described in more detail below.

In 2013, three Executive Board members were categorized as UK Code Staff and were therefore subject to the UK Prudential Regulation Authority (PRA) Remuneration Code requirements to have at least 50% of variable compensation awarded in the form of equity instruments. Two of the current members were awarded 50% of their variable compensation as STI awards, 40% as LTI awards, 5% as cash and 5% as vested Group shares that were subject to a six-month holding period.

The third member, Tobias Guldimann, stepped down from the Executive Board and his position as Chief Risk Officer (CRO) effective December 31, 2013 and was replaced by Joachim Oechslin, effective January 1, 2014. Mr. Guldimann was awarded variable compensation in respect of 2013, however as he was no longer a member of the Executive Board at the time of grant, the form of variable compensation awarded to him was consistent with the PRA Code Staff requirements applicable to managing directors.

**Types of awards**

All deferred Executive Board compensation awards are subject to malus provisions as well as the additional provisions that apply to Covered Employees. In addition, there are performance-based clawback provisions for the STI award and specific performance targets for the LTI award.

▸ Refer to "Malus and performance-based clawback provisions" in Group compensation for more information.

### 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, which are deferred over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting), subject to the same performance conditions as the performance share awards granted to managing directors and MRTC.

▸ 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 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.

In the case of both a negative underlying ROE and a divisional pre-tax loss, the negative adjustment applied will be equal to the negative underlying ROE, or 15% per CHF 1 billion of pre-tax loss, whichever results in a larger adjustment.

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

The final number of STI awards delivered to Executive Board members is subject to the occurrence of malus and clawback events during the vesting periods. There are, however, no circumstances under which the outstanding STI awards are increased.

▸ 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 date of grant, subject to 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 underlying ROE achieved during the three years prior to vesting compared to the underlying 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 a 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 "2013 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);
- 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 (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 forfeiture of the respective LTI awards (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 underlying ROE achieved during the three years prior to vesting compared to the pre-defined underlying ROE targets for the corresponding three-year period. The maximum upward adjustment of 25% applies if the average underlying ROE achieved is 200% of the target. The ROE adjustment, however, cannot increase the amount payable beyond two times the initial award.

For 2013, 60% of the LTI (or 30% of total variable incentive compensation) was structured as a deferred cash award. The Group retains the right to settle the cash portion of the LTI awards in shares at its discretion. In such a case, the amount of shares delivered in the year of vesting is based on the Group share price at the time of settlement.

For 2013, 40% of the LTI (or 20% of total variable incentive compensation) 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 cash-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.

### Other aspects of Executive Board compensation

#### Charitable contributions

Consistent with the prior three years, a portion of the Executive Board incentive compensation pool for 2013 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 4.8 million for 2013. The contributions will benefit eligible registered charities. The CEO and three other Executive Board members are able to make recommendations in respect of the allocation of the 2013 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.

#### Amendment to share plans

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 amendments permit Executive Board members to elect once a year, 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 the Group share price falls by more than 25% between election and settlement. 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, change in control and termination 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. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for payments or benefits in connection with termination of employment that are not generally available to other employees of the Group. For example, in the event of a termination of employment, pre-defined conditions apply to the balances of outstanding compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control.

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, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group during 2013.

## 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, 2013.

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, 2013 was on average 4% higher than at the grant date value of the awards.

The remaining cash-based deferred compensation awards granted to certain Executive Board members in prior years are the 2008 Partner Asset Facility (PAF), the 2011 Partner Asset Facility (PAF2) and the Plus Bond awards. The cumulative value of such cash-based awards at their grant dates was CHF 16.7 million compared to CHF 30.5 million as of December 31, 2013. The value of these awards varies depending upon the value of the underlying portfolios linked to the PAF, PAF2 and Plus Bond awards and the length of the remaining deferral period.

### 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 | Number of options | Value of unvested awards at grant (CHF) | Current value of unvested awards (CHF) |
|---|---|---|---|---|---|---|---|
| **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** |
| **December 31, 2012** | | | | | | | |
| Brady W. Dougan | 906,929 | 666,068 | 1,572,997 | 76,102 | – | 18,945,613 | 19,815,939 |
| Romeo Cerutti | 80,279 | 320,261 | 400,540 | 23,272 | – | 8,446,679 | 9,172,331 |
| Tobias Guldimann | 57,763 | 375,725 | 433,488 | 29,090 | – | 9,964,935 | 10,808,561 |
| David R. Mathers | 0 | 461,439 | 461,439 | 15,130 | 1,095 [2] | 11,174,895 | 12,724,392 |
| Hans-Ulrich Meister | 178,198 | 550,776 | 728,974 | 46,546 | – | 14,848,594 | 15,948,497 |
| Robert S. Shafir | 387,544 | 736,377 | 1,123,921 | 62,320 | – | 19,807,159 | 21,325,210 |
| Pamela A. Thomas-Graham | 4,583 | 239,137 | 243,720 | 14,382 | – | 6,342,875 | 6,768,957 |
| Eric M. Varvel | 62,169 | 454,785 | 516,954 | 55,470 | – | 13,996,715 | 13,623,809 |
| **Total** | **1,677,465** [3] | **3,804,568** | **5,482,033** | **322,312** | **1,095** | **103,527,465** | **110,187,696** |

[1] Includes shares that were initially granted as deferred compensation and have vested.
[2] Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60.
[3] In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities were converted into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.

### Executive Board loans

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. As of December 31, 2013, 2012 and 2011, outstanding loans to Executive Board members amounted to CHF 10 million, CHF 8 million and CHF 22 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2013 was three and four, respectively, and the highest loan outstanding was USD 5 million to Eric Varvel.

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.

### 2014 targets, caps and performance criteria

The targets, caps and performance criteria to be applied in 2014 are based on the framework and approach introduced for the 2013 performance year. The overall targets and caps expressed as multiples of base salaries for 2014 remain the same as for 2013, however the composition of the awards has been modified for 2014, as shown in the table "2014 targets and caps for Executive Board members" and described further below.

In early 2014, the Compensation Committee also refined the criteria applicable to the 2014 performance review to reflect broader measurements of performance. The criteria for 2014 encompass the achievement of profitability and cost targets, as well as progress towards the wind-down of non-strategic positions in light of the current operating environment. The progress of the wind-down of non-strategic units will be measured based on the achievement of reduction targets for risk-weighted assets and leverage exposure, as well as the attainment of non-strategic pre-tax income targets. The Compensation Committee has introduced further measures relating to the execution of the Group's strategy, development of the business, delivery of major infrastructure projects and other specific performance measures for each individual. These performance criteria and the respective weightings to be applied in relation to the CEO and other members of the Executive Board appear in the table "2014 performance criteria for the Executive Board". The overall cap on total Executive Board incentive compensation in 2014 will be 2.5% of adjusted Group net income, based on reported results adjusted for fair value losses or gains from movement in own credit spreads and certain litigation provisions as determined by the Compensation Committee.

### 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 |

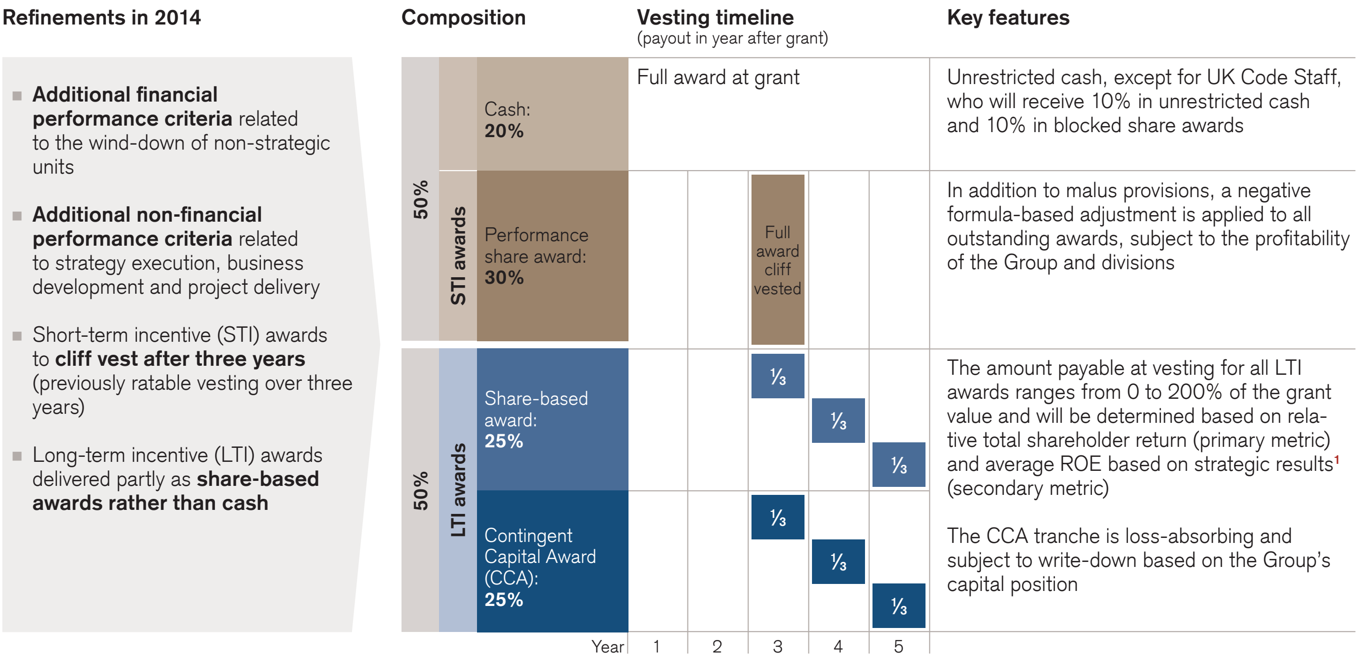
### 2014 performance criteria for the Executive Board

| | CEO | Divisional head | | Shared Services head | | Performance objectives to meet target |
|---|---|---|---|---|---|---|
| | | PB&WM | IB | CFO | Other | |
| **Financial performance criteria (60% weighting)** | | | | | | |
| Group ROE (after tax) – strategic results [1] | 30% | 30% | 30% | 25% | 25% | 12.5% Group ROE based on strategic results |
| Group cost/income ratio – strategic results [1] | 20% | – | – | 15% | 20% | 71.0% Group cost/income based on strategic results |
| Wind-down of non-strategic units [2] | 10% | 10% | 10% | 10% | – | 35.0% year-on-year reduction of risk-weighted assets and leverage exposure (2.5% weighting for each metric) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3, 4] |
| Divisional return on allocated capital [5, 6] | – | – | 20% | – | – | 11.5% return on allocated capital |
| Divisional cost/income ratio [5] | – | 20% | – | – | – | 69.0% divisional cost/income |
| Divisional total operating expenses [5] | – | – | – | 10% | 15% | 2014 budget expenses on a foreign exchange neutral basis |
| **Non-financial criteria (40% weighting)** | | | | | | |
| Business and infrastructure development | 15% | 15% | 15% | 15% | 15% | Compensation Committee assessment of strategy execution, business development, performance of subdivisions and regions and delivery of major projects |
| Other performance | 25% | 25% | 25% | 25% | 25% | Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior |

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 Performance measured at the Group level for the CEO and the CFO and at the respective divisional non-strategic unit level for the divisional heads.
3 Risk-weighted assets are adjusted to exclude methodology changes.
4 Budgeted non-strategic pre-tax income is based on reported results, excluding the impact of changes in the fair value of own debt and certain substantial litigation provisions as determined by the Compensation Committee.
5 Based on reported results, excluding certain substantial litigation provisions as determined by the Compensation Committee.
6 Calculated using income after tax denominated in US dollars, assuming that allocated capital is measured as the average of 10% of average Basel III risk-weighted assets and 2.4% of average leverage exposure.

## Key features of Executive Board compensation – 2014




[1] Subject to adjustments for significant litigation items as determined by the Compensation Committee.

**2014 compensation structure**

The annual base salary in 2014 will be 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 is unchanged from the prior year. As of December 31, 2013, two of the Executive Board members qualify as UK Code Staff for 2014 and will therefore, in accordance with the rules introduced by CRD IV, be subject to the relevant variable award compensation caps applicable to UK Code Staff. Consistent with market practice in the UK, the Group intends to award these individuals a fixed allowance during 2014 based on their roles and responsibilities. The targets and caps on total compensation will not be affected by this fixed allowance.

In 2014, slight amendments to the structure of incentive compensation have been made compared to 2013. The variable compensation granted to each Executive Board member will consist of:

- 20% as unrestricted cash payment, except for UK 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 a deferred performance share award, with cliff vesting after three years; and
- 50% as LTI awards in the form of 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 vesting conditions.

The above changes to the compensation structure for 2014 extend the vesting period for the short-term deferred awards, reflecting the Compensation Committee's responsiveness to emerging market trends. Under the 2014 structure, no awards will vest before the third anniversary of the date of grant and the final vesting of awards will occur five years after the date of grant. In addition, the long-term incentive award will be delivered in a combination of shares and CCA, rather than cash and CCA. As a result, the portion of deferred share-based awards will be increased to 55%.

## BOARD OF DIRECTORS COMPENSATION

### Governance

Compensation to members of the Board is determined by the Articles of Association, OGR and the Compensation Committee Charter. The annual compensation paid to members of the Board, including the Chairman, is set 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. 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 decision involving his or her own compensation.

### Basis of determining compensation for the Board

All members of the Board receive a base board fee plus a committee fee or other additional fee that reflects the respective Board member's role, time commitment and scope of responsibility on the Board. The full-time Chairman, the Vice-Chairman and the three committee chairmen assume the greatest responsibility and dedicate the most time to fulfilling their board duties. As such, these individuals receive a higher annual base board fee than other board members and may receive additional fees which reflect the additional time commitment and responsibility assumed for their specific role. Members of the Board without designated leadership responsibilities (eight individuals) each received an annual base board fee for 2013 of CHF 250,000. Board members serving on the Audit, Risk or Compensation Committees also received an annual committee fee. The committee fees were CHF 150,000 for the Audit Committee, CHF 100,000 for the Risk Committee and CHF 100,000 for the Compensation Committee. Members of the Chairman's and Governance Committee do not receive a committee fee. The base and committee 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.

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.

### Compensation of the Chairman

The Chairman is paid a base board fee plus an additional fee. The additional fee is paid in consideration of the Chairman's performance with respect to his Board responsibilities and is not linked to the Group's financial performance. Total compensation awarded to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs and engaging with shareholders. 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 key shareholders, investors, regulators and supervisors, industry associations and other stakeholders.

For 2013, Chairman Urs Rohner received total compensation of CHF 4.9 million, which consisted of CHF 4.75 million from board fees (CHF 2.5 million base board fee and CHF 2.25 million additional fee) and CHF 0.15 million in other compensation. Of the CHF 4.75 million, CHF 3.6 million was awarded in cash and CHF 1.1 million was awarded in Group shares, blocked for a period of four years. The Chairman's total compensation for 2013 reflected the improved strategic and capital position of the Group and Mr. Rohner's performance. This included Mr. Rohner's leadership of the Board, his impact in closely steering and monitoring the strategic development of the Group, the transition to the challenging new capital requirements, the alignment of business structure and organization to emerging regulatory requirements, as well as his active engagement with key stakeholders and regulators and representation of the Group in a variety of industry associations.

### Compensation of the Vice-Chairman and the committee chairmen

Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000 but no committee or additional fees. Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, received an annual base board fee for 2013 of CHF 400,000 plus an additional fee, 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. This additional fee is not linked to the Group's financial performance. For 2013, the additional fee was CHF 400,000 for the chairman of the Compensation Committee and CHF 1 million each for the chairmen of the Risk and Audit Committees. The compensation for Jean Lanier takes into account that he began serving as chairman of the Compensation Committee following last year's AGM. In addition to the greater time commitment required to prepare and lead the committee work, the additional 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. Furthermore, the greater focus of shareholders on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups. The additional fees paid to the Compensation, Risk and Audit Committee chairmen also reflected the additional time commitment required to serve as regular members on other Board committees, which they do not chair.

▸ Refer to "Members of the Board and Board committees" in Corporate Governance – Board of Directors for further 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 2013.

## 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] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2013/2014 (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 for 2012

| 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] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012/2013 (CHF)** | | | | | | | | | | |
| Urs Rohner, Chairman [4] | 2,500,000 | – | 2,500,000 | 234,881 | 5,234,881 | 3,984,881 | 76% | 1,250,000 | 24% | 50,772 |
| Peter Brabeck-Letmathe, Vice-Chairman [5] | 400,000 | – | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Jassim Bin Hamad J.J. Al Thani [5] | 250,000 | – | – | – | 250,000 | 125,000 | 50% | 125,000 | 50% | 5,641 |
| Robert H. Benmosche [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Iris Bohnet [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Noreen Doyle [5] | 250,000 | 100,000 | 182,600 | – | 532,600 | 357,600 | 67% | 175,000 | 33% | 7,898 |
| Jean-Daniel Gerber [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Walter B. Kielholz [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Andreas N. Koopmann [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Jean Lanier [5] | 250,000 | 250,000 | – | – | 500,000 | 250,000 | 50% | 250,000 | 50% | 11,282 |
| Anton van Rossum [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Aziz R.D. Syriani, Chairman of the Compensation Committee [4] | 350,000 | – | 400,000 | – | 750,000 | 522,500 | 70% | 227,500 | 30% | 9,241 |
| David W. Syz [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Richard E. Thornburgh, Chairman of the Risk Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| John Tiner, Chairman of the Audit Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| **Total** | **6,550,000** | **1,150,000** | **5,082,600** | **234,881** | **13,017,481** | **8,514,981** | **65%** | **4,502,500** | **35%** | **192,020** |

[1] Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited.

[2] Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits.

[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 share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62.

[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, 2012 to April 27, 2013. 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 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

## 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, 2013, there were no Board members with outstanding options.

### Board shareholdings by individual

| in | 2013 | 2012 |
| --- | --- | --- |
| **December 31 (shares)** [1] | | |
| Urs Rohner | 230,402 | 244,422 |
| Peter Brabeck-Letmathe | 144,186 | 120,999 |
| Jassim Bin Hamad J.J. Al Thani | 17,918 | 11,790 |
| Iris Bohnet | 15,464 | 7,898 |
| Noreen Doyle | 49,014 | 41,324 |
| Jean-Daniel Gerber | 17,701 | 9,826 |
| Walter B. Kielholz | 316,675 | 292,424 |
| Andreas N. Koopmann | 42,569 | 30,469 |
| Jean Lanier | 44,951 | 43,881 |
| Kai S. Nargolwala | 114,666 | – |
| Anton van Rossum | 56,464 | 48,598 |
| Richard E. Thornburgh | 212,530 | 218,456 |
| John Tiner | 48,471 | 24,799 |
| **Total** | **1,311,011** | **1,094,886** [2, 3] |

[1] Includes Group shares that are subject to a blocking period of up to four years.
[2] In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz R.D. Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities were converted into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.
[3] Excludes 30,872, 76,774 and 92,745 shares held by Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz, respectively, as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

### 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. As of December 31, 2013, 2012 and 2011, outstanding loans to Board members amounted to CHF 55 million, CHF 41 million and CHF 34 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 US Securities and Exchange Commission (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, 2013, 2012 and 2011, 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

| in | 2013 | 2012 |
| --- | --- | --- |
| **December 31 (CHF)** | | |
| Urs Rohner | 4,968,270 | 5,034,157 |
| Peter Brabeck-Letmathe | 40,631,650 | 27,520,527 |
| Walter B. Kielholz | 4,000,000 | 4,200,000 |
| Andreas N. Koopmann | 4,933,650 | 2,775,000 |
| Richard E. Thornburgh | 222,756 | – |
| **Total** [1] | **54,756,326** | **39,529,684** [2] |

[1] Includes loans to immediate family members.
[2] Excludes a loan of CHF 1,500,000 held by David W. Syz as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

## 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: 2013;
- Vesting end: 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 clawback 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;
- Vesting end: 2012/2016;
- 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.

#### 2011 Partner Asset Facility (PAF2)

- Basis: cash-based;
- Vesting start: 2012;
- Vesting end: March 31, 2012;
- Applied to: performance in 2011, which included managing directors and directors and certain members of the Executive Board;
- General award conditions: the contractual term of a PAF award is four years, but it may be extended to nine years at the election of either the Group or the holders acting collectively. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded;
- Other award conditions or restrictions: PAF2 holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% per annum (Swiss franc-denominated awards) or 6.5% per annum (US dollar-denominated awards) applied to the then current balance of the units. PAF2 holders 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 risk reduction and capital efficiency;
- Subsequent activity: PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility: participants elect for their award to be referenced to a Capital Opportunity Facility (COF). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by 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. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum

over the six-month US dollar LIBOR). Settlement is expected to occur in February 2016, subject to regulatory approvals.

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

### Adjustable Performance Plan awards

- Basis: cash and share-based;
- Vesting start: 2011;
- Vesting end: 2015;
- 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.

### Scaled Incentive Share Unit (SISU)

- Basis: share-based;
- Vesting start: 2010;
- Vesting end: 2014;
- Applied to: performance in 2009, which included half of the variable compensation awarded to all managing directors and directors across all divisions and Shared Services;
- General award conditions: vesting ratably over a four-year period;
- Other award conditions or restrictions: an SISU is similar to other share-based awards, but offers additional upside depending on the development of the Group share price and the Group reported ROE;
- Program objective/rationale: promoting retention of 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.

# V

# Consolidated financial statements – Credit Suisse Group

## Consolidated financial statements



## Notes to the consolidated financial statements

KPMG

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Report of the Independent Registered Public Accounting Firm

**Credit Suisse Group AG, Zurich**

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We have audited the accompanying consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Group's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 3, 2014 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

KPMG AG

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

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

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# Consolidated financial statements

## Consolidated statements of operations

| | Reference to notes | 2013 | 2012 | in 2011 |
|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | |
| Interest and dividend income | 6 | 19,556 | 22,090 | 22,976 |
| Interest expense | 6 | (11,441) | (14,947) | (16,550) |
| Net interest income | 6 | 8,115 | 7,143 | 6,426 |
| Commissions and fees | 7 | 13,226 | 12,724 | 12,638 |
| Trading revenues | 8 | 2,739 | 1,196 | 5,021 |
| Other revenues | 9 | 1,776 | 2,548 | 1,806 |
| **Net revenues** | | **25,856** | **23,611** | **25,891** |
| **Provision for credit losses** | 10 | **167** | **170** | **187** |
| Compensation and benefits | 11 | 11,256 | 12,303 | 13,001 |
| General and administrative expenses | 12 | 8,599 | 7,246 | 7,293 |
| Commission expenses | | 1,738 | 1,702 | 1,939 |
| Total other operating expenses | | 10,337 | 8,948 | 9,232 |
| **Total operating expenses** | | **21,593** | **21,251** | **22,233** |
| **Income from continuing operations before taxes** | | **4,096** | **2,190** | **3,471** |
| Income tax expense | 27 | 1,276 | 465 | 656 |
| **Income from continuing operations** | | **2,820** | **1,725** | **2,815** |
| Income/(loss) from discontinued operations, net of tax | 4 | 145 | (40) | (25) |
| **Net income** | | **2,965** | **1,685** | **2,790** |
| Net income attributable to noncontrolling interests | | 639 | 336 | 837 |
| **Net income/(loss) attributable to shareholders** | | **2,326** | **1,349** | **1,953** |
| of which from continuing operations | | 2,181 | 1,389 | 1,978 |
| of which from discontinued operations | | 145 | (40) | (25) |
| **Basic earnings per share (CHF)** | | | | |
| Basic earnings per share from continuing operations | 13 | 1.14 | 0.82 | 1.34 |
| Basic earnings/(loss) per share from discontinued operations | 13 | 0.08 | (0.03) | (0.02) |
| **Basic earnings per share** | 13 | **1.22** | **0.79** | **1.32** |
| **Diluted earnings per share (CHF)** | | | | |
| Diluted earnings per share from continuing operations | 13 | 1.14 | 0.82 | 1.34 |
| Diluted earnings/(loss) per share from discontinued operations | 13 | 0.08 | (0.03) | (0.02) |
| **Diluted earnings per share** | 13 | **1.22** | **0.79** | **1.32** |

## Consolidated statements of comprehensive income

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Comprehensive income (CHF million)** | | | |
| Net income | 2,965 | 1,685 | 2,790 |
| Gains/(losses) on cash flow hedges | 18 | 37 | (33) |
| Foreign currency translation | (1,021) | (1,114) | (263) |
| Unrealized gains/(losses) on securities | (32) | (15) | (18) |
| Actuarial gains/(losses) | 1,044 | (50) | (615) |
| Net prior service credit/(cost) | (95) | 248 | 395 |
| Other comprehensive income/(loss), net of tax | (86) | (894) | (534) |
| **Comprehensive income** | **2,879** | **791** | **2,256** |
| Comprehensive income attributable to noncontrolling interests | 525 | 211 | 882 |
| **Comprehensive income attributable to shareholders** | **2,354** | **580** | **1,374** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | | 68,692 | 61,763 |
| of which reported at fair value | | 527 | 569 |
| of which reported from consolidated VIEs | | 952 | 1,750 |
| Interest-bearing deposits with banks | | 1,515 | 1,945 |
| of which reported at fair value | | 311 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 14 | 160,022 | 183,455 |
| of which reported at fair value | | 96,587 | 113,664 |
| of which reported from consolidated VIEs | | 1,959 | 117 |
| Securities received as collateral, at fair value | | 22,800 | 30,045 |
| of which encumbered | | 17,964 | 17,767 |
| Trading assets, at fair value | 15 | 229,413 | 256,399 |
| of which encumbered | | 72,976 | 70,948 |
| of which reported from consolidated VIEs | | 3,610 | 4,697 |
| Investment securities | 16 | 2,987 | 3,498 |
| of which reported at fair value | | 2,987 | 3,498 |
| of which reported from consolidated VIEs | | 100 | 23 |
| Other investments | 17 | 10,329 | 12,022 |
| of which reported at fair value | | 7,596 | 8,994 |
| of which reported from consolidated VIEs | | 1,983 | 2,289 |
| Net loans | 18 | 247,054 | 242,223 |
| of which reported at fair value | | 19,457 | 20,000 |
| of which encumbered | | 638 | 535 |
| of which reported from consolidated VIEs | | 4,207 | 6,053 |
| allowance for loan losses | | (869) | (922) |
| Premises and equipment | 19 | 5,091 | 5,618 |
| of which reported from consolidated VIEs | | 513 | 581 |
| Goodwill | 20 | 7,999 | 8,389 |
| Other intangible assets | 21 | 210 | 243 |
| of which reported at fair value | | 42 | 43 |
| Brokerage receivables | | 52,045 | 45,768 |
| Other assets | 22 | 63,065 | 72,912 |
| of which reported at fair value | | 31,518 | 37,275 |
| of which encumbered | | 722 | 1,495 |
| of which reported from consolidated VIEs | | 14,330 | 14,536 |
| Assets of discontinued operations held-for-sale | | 1,584 | – |
| **Total assets** | | **872,806** | **924,280** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (continued)

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23 | 23,108 | 31,014 |
| of which reported at fair value | | 1,450 | 3,413 |
| Customer deposits | 23 | 333,089 | 308,312 |
| of which reported at fair value | | 3,252 | 4,643 |
| of which reported from consolidated VIEs | | 265 | 247 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 14 | 94,032 | 132,721 |
| of which reported at fair value | | 76,104 | 108,784 |
| Obligation to return securities received as collateral, at fair value | | 22,800 | 30,045 |
| Trading liabilities, at fair value | 15 | 76,635 | 90,816 |
| of which reported from consolidated VIEs | | 93 | 125 |
| Short-term borrowings | | 20,193 | 18,641 |
| of which reported at fair value | | 6,053 | 4,513 |
| of which reported from consolidated VIEs | | 4,286 | 9,582 |
| Long-term debt | 24 | 130,042 | 148,134 |
| of which reported at fair value | | 63,369 | 65,384 |
| of which reported from consolidated VIEs | | 12,992 | 14,532 |
| Brokerage payables | | 73,154 | 64,676 |
| Other liabilities | 22 | 51,447 | 57,637 |
| of which reported at fair value | | 21,973 | 26,871 |
| of which reported from consolidated VIEs | | 710 | 1,228 |
| Liabilities of discontinued operations held-for-sale | | 1,140 | – |
| **Total liabilities** | | **825,640** | **881,996** |
| Common shares | | 64 | 53 |
| Additional paid-in capital | | 27,853 | 23,636 |
| Retained earnings | | 30,261 | 28,171 |
| Treasury shares, at cost | | (139) | (459) |
| Accumulated other comprehensive income/(loss) | 25 | (15,875) | (15,903) |
| **Total shareholders' equity** | | **42,164** | **35,498** |
| Noncontrolling interests | | 5,002 | 6,786 |
| **Total equity** | | **47,166** | **42,284** |
| **Total liabilities and equity** | | **872,806** | **924,280** |

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | | 0.04 | 0.04 |
| Authorized shares [1] | | 2,269,616,660 | 2,118,134,039 |
| Common shares issued | 25 | 1,596,119,349 | 1,320,829,922 |
| Treasury shares | 25 | (5,183,154) | (27,036,831) |
| Shares outstanding | 25 | 1,590,936,195 | 1,293,793,091 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 216 | – | – | – | 216 | (22) | 194 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (2,467) | (2,467) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 438 | 438 |
| Net income/(loss) | – | – | 2,326 | – | – | 2,326 | 651 [3] | 2,977 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 28 | 28 | (114) | (86) |
| Issuance of common shares | 11 | 4,222 | – | – | – | 4,233 | – | 4,233 |
| Sale of treasury shares | – | (50) | – | 10,360 | – | 10,310 | – | 10,310 |
| Repurchase of treasury shares | – | – | – | (10,202) | – | (10,202) | – | (10,202) |
| Share-based compensation, net of tax | – | 213 [4] | – | 162 | – | 375 | – | 375 |
| Financial instruments indexed to own shares [5] | – | (93) | – | – | – | (93) | – | (93) |
| Dividends paid | – | (269) [6] | (236) | – | – | (505) | (59) | (564) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (211) | (211) |
| Other | – | (9) | – | – | – | (9) | – | (9) |
| **Balance at end of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| **2012 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **49** | **21,796** | **27,053** | **(90)** | **(15,134)** | **33,674** | **7,411** | **41,085** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 44 | – | – | – | 44 | (4) | 40 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (809) | (809) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 116 | 116 |
| Net income/(loss) | – | – | 1,349 | – | – | 1,349 | 347 | 1,696 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (769) | (769) | (125) | (894) |
| Issuance of common shares | 4 | 1,926 | – | – | – | 1,930 | – | 1,930 |
| Sale of treasury shares | – | (3) | – | 8,358 | – | 8,355 | – | 8,355 |
| Repurchase of treasury shares | – | – | – | (8,859) | – | (8,859) | – | (8,859) |
| Share-based compensation, net of tax | – | 932 | – | 132 | – | 1,064 | – | 1,064 |
| Financial instruments indexed to own shares | – | (9) | – | – | – | (9) | – | (9) |
| Dividends paid | – | (1,011) | (231) | – | – | (1,242) | (54) | (1,296) |
| Changes in redeemable noncontrolling interests | – | (7) | – | – | – | (7) | – | (7) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (96) | (96) |
| Other | – | (32) | – | – | – | (32) | – | (32) |
| **Balance at end of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Net income attributable to noncontrolling interests excludes CHF (12) million due to redeemable noncontrolling interests.
[4] Includes a net tax charge of CHF 24 million from the excess recognized compensation expense over fair value of shares delivered.
[5] The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[6] Paid out of reserves from capital contributions.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2011 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **47** | **23,026** | **25,316** | **(552)** | **(14,555)** | **33,282** | **9,733** | **43,015** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 6 | – | – | – | 6 | (106) | (100) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (3,042) | (3,042) |
| Sale of subsidiary shares to noncontrolling interests, changing ownership | – | (7) | – | – | – | (7) | 7 | – |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 522 | 522 |
| Net income/(loss) | – | – | 1,953 | – | – | 1,953 | 788 | 2,741 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (579) | (579) | 45 | (534) |
| Issuance of common shares | 2 | 1,125 | – | – | – | 1,127 | – | 1,127 |
| Sale of treasury shares | – | (102) | – | 11,955 | – | 11,853 | – | 11,853 |
| Repurchase of treasury shares | – | – | – | (11,790) | – | (11,790) | – | (11,790) |
| Share-based compensation, net of tax | – | (145) | – | 297 | – | 152 | – | 152 |
| Financial instruments indexed to own shares | – | 164 | – | – | – | 164 | – | 164 |
| Dividends paid | – | (1,646) | (216) | – | – | (1,862) | (86) | (1,948) |
| Changes in redeemable noncontrolling interests | – | (625) | – | – | – | (625) | (140) | (765) |
| Changes in scope of consolidation | – | – | – | – | – | – | (310) | (310) |
| **Balance at end of period** | **49** | **21,796** | **27,053** | **(90)** | **(15,134)** | **33,674** | **7,411** | **41,085** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | |
| **Net income** | **2,965** | **1,685** | **2,790** |
| (Income)/loss from discontinued operations, net of tax | (145) | 40 | 25 |
| **Income from continuing operations** | **2,820** | **1,725** | **2,815** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | | |
| Impairment, depreciation and amortization | 1,345 | 1,294 | 1,196 |
| Provision for credit losses | 167 | 170 | 187 |
| Deferred tax provision/(benefit) | 695 | (255) | 170 |
| Share of net income/(loss) from equity method investments | 34 | 80 | (45) |
| Trading assets and liabilities, net | 13,961 | (14,348) | 39,134 |
| (Increase)/decrease in other assets | (6,902) | (1,146) | (7,755) |
| Increase/(decrease) in other liabilities | 9,992 | (4,772) | 5,859 |
| Other, net | (38) | 4,584 | (2,939) |
| Total adjustments | 19,254 | (14,393) | 35,807 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **22,074** | **(12,668)** | **38,622** |
| **Investing activities of continuing operations (CHF million)** | | | |
| (Increase)/decrease in interest-bearing deposits with banks | 538 | 184 | (732) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 17,120 | 46,952 | (15,221) |
| Purchase of investment securities | (677) | (480) | (1,542) |
| Proceeds from sale of investment securities | 176 | 936 | 2,118 |
| Maturities of investment securities | 832 | 1,626 | 2,462 |
| Investments in subsidiaries and other investments | (1,792) | (2,039) | (1,782) |
| Proceeds from sale of other investments | 3,737 | 3,104 | 6,784 |
| (Increase)/decrease in loans | (9,126) | (11,022) | (17,237) |
| Proceeds from sales of loans | 1,483 | 1,090 | 689 |
| Capital expenditures for premises and equipment and other intangible assets | (903) | (1,242) | (1,739) |
| Proceeds from sale of premises and equipment and other intangible assets | 9 | 26 | 11 |
| Other, net | 122 | 3,683 | 222 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **11,519** | **42,818** | **(25,967)** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (continued)

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | | |
| Increase/(decrease) in due to banks and customer deposits | 22,463 | (12,567) | 27,740 |
| Increase/(decrease) in short-term borrowings | 6,002 | (7,840) | 4,098 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (36,347) | (39,958) | 7,182 |
| Issuances of long-term debt | 39,090 | 38,405 | 34,234 |
| Repayments of long-term debt | (55,135) | (55,936) | (37,127) |
| Issuances of common shares | 976 | 1,930 | 1,127 |
| Sale of treasury shares | 9,764 | 8,355 | 11,853 |
| Repurchase of treasury shares | (10,202) | (8,859) | (11,790) |
| Dividends paid | (564) | (1,296) | (1,948) |
| Other, net | (468) | 394 | (2,508) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(24,421)** | **(77,372)** | **32,861** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(1,216)** | **(1,242)** | **(632)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | |
| **Net cash provided by/(used in) discontinued operations** | **(1,027)** | **(346)** | **222** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | |
| **Net increase/(decrease) in cash and due from banks** | **6,929** | **(48,810)** | **45,106** |
| Cash and due from banks at beginning of period | 61,763 | 110,573 | 65,467 |
| **Cash and due from banks at end of period** | **68,692** | **61,763** | **110,573** |

## Supplemental cash flow information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | | |
| Cash paid for income taxes | 833 | 1,073 | 1,099 |
| Cash paid for interest | 11,876 | 15,004 | 17,238 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | | |
| Fair value of assets acquired | 4 | 2,418 | 0 |
| Fair value of liabilities assumed | 0 | 2,418 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | | |
| Assets sold | 374 | 0 | 0 |
| Liabilities sold | 170 | 0 | 0 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Group ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation which had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

### Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The Group consolidates limited partnerships in cases where it is the general partner or is a limited partner with substantive rights to kick out the general partner or dissolve the partnership and participate in significant decisions made in the ordinary course of business. The Group also consolidates VIEs where the Group is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Where a Group subsidiary is a separate legal entity and determined to be an investment company as defined by ASC Topic 946 – Financial Services – Investment Companies, interests in other entities held by this Group subsidiary are not consolidated and are carried at fair value.

Group entities that qualify as broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers do not consolidate investments in voting interest entities that would otherwise qualify for consolidation when the investment is held on a temporary basis for trading purposes. In addition, subsidiaries that are strategic components of a broker-dealers' operations are consolidated regardless of holding intent.

### Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than Swiss francs are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the weighted average foreign exchange rate for the year. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity. Cumulative translation adjustments are released from AOCI and recorded in the consolidated statements of operations when the Group disposes and loses control of a consolidated foreign subsidiary.

### Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial acquisition of the eligible item or at the date when the Group enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.

‣ Refer to "Fair value option" in Note 34 – Financial instruments for further information.

### Cash and due from banks

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

### Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the consolidated balance sheet at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in trading assets or investment securities. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected pursuant to ASC Topic 825 – Financial Instruments, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Group has elected the fair value basis of accounting on some of its agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement.

**Securities lending and borrowing transactions**

Securities borrowed and securities loaned that are cash-collateralized are included in the consolidated balance sheets at amounts equal to the cash advanced or received. If securities received in a securities lending and borrowing transaction as collateral may be sold or repledged, they are recorded as securities received as collateral in the consolidated balance sheet and a corresponding liability to return the security is recorded. Securities lending transactions against non-cash collateral in which the Group has the right to resell or repledge the collateral received are recorded at the fair value of the collateral initially received. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. In the case where the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method.

**Transfers of financial assets**

The Group transfers various financial assets, which may result in the sale of these assets to special purpose entities (SPEs), which in turn issue securities to investors. The Group values its beneficial interests at fair value using quoted market prices, if such positions are traded on an active exchange or financial models that incorporate observable and unobservable inputs.

‣ Refer to "Note 33 – Transfers of financial assets and variable interest entities" for further information on the Group's transfer activities.

**Trading assets and liabilities**

Trading assets and liabilities include debt and equity securities, derivative instruments, certain loans held in broker-dealer entities, commodities and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management's intent. Regular-way security transactions are recorded on a trade-date basis. Unrealized and realized gains and losses on trading positions are recorded in trading revenues.

**Derivatives**

Freestanding derivative contracts are carried at fair value in the consolidated balance sheets regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statements of operations. If separated for measurement purposes, the derivative is recorded in the same line item in the consolidated balance sheets as the host contract.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as other assets or other liabilities.

The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:

(i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
(ii) the derivative expires or is sold, terminated or exercised;
(iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
(iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statements of operations as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When the Group discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized to the consolidated statements of operations over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in the consolidated statements of operations upon sale or extinguishment of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in the consolidated statements of operations upon disposition of the hedged item as part of the gain or loss on disposition.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI. These amounts are reclassified into the line item in the consolidated statements of operations in which the hedged item is recorded when the variable cash flow from the hedged item impacts earnings (for example, when periodic settlements on a variable rate asset or liability are recorded in the consolidated statements of operations or when the hedged item is disposed of). The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the consolidated statements of operations in the same period or periods during which the formerly hedged transaction is reported in the consolidated statements of operations. When the Group discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the specified date or period plus two months, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and gains and losses that were previously recorded in AOCI will be recognized immediately in the consolidated statements of operations.

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in trading revenues. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

**Investment securities**

Investment securities include debt securities classified as held-to-maturity and debt and marketable equity securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis.

Debt securities where the Group has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

Amortization of premiums or discounts is recorded in interest and dividend income using the effective yield method through the maturity date of the security.

Recognition of an impairment on debt securities is recorded in the consolidated statements of operations if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Recognition of an impairment on equity securities is recorded in the consolidated statements of operations if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or by more than 20%.

Recognition of an impairment for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses on available-for-sale securities are recognized in the consolidated statements of operations when a decision has been made to sell a security.

**Other investments**

Other investments include equity method investments and non-marketable equity securities such as private equity, hedge funds, and restricted stock investments, certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee, and real estate held for investment.

Equity method investments are investments where the Group has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation or 5% or more of limited partnership interests. Equity method investments are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Group's share of the profit or loss, as well as any impairment on the investee, if applicable, are reported in other revenues. Under the fair value option, changes in fair value are reported in other revenues. The Group has elected the fair value basis of accounting on some of its equity method investments.

The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment or at fair value if elected under the fair value option. Non-marketable equity securities held by the Group's subsidiaries that are determined to be investment companies as defined by ASC Topic 946 – Financial Services – Investment Companies are carried at fair value, with changes in fair value recorded in other revenues.

Equity method investments and non-marketable equity securities held by broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers are measured at fair value and reported in trading assets when the intent of the broker-dealer entity is to hold the asset temporarily for trading purposes. Changes in fair value are reported in trading revenues.

Real estate held for investment purposes is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. These assets are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

In connection with the life finance business, the Group invests in single premium immediate annuities (SPIA), which are carried at fair value with the related fair value changes reported in trading revenues. The life finance business also invests in life settlement contracts.

**Loans**

**Loans held-to-maturity**

Loans which the Group intends to hold until maturity are carried at outstanding principal balances plus accrued interest, net of the following items: unamortized premiums, discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

Lease financing transactions where the Group is the lessor are classified as loans. Unearned income is amortized to interest and dividend income over the lease term using the effective interest method.

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" for further information.

**Allowance for loan losses on loans held-to-maturity**

The allowance for loan losses is comprised of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated statements of operations in provision for credit losses and in interest income (for provisions on past due interest).

The Group evaluates many factors when estimating the allowance for loan losses, including volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. Excluded from this estimate process are consumer and corporate & institutional loans that have been specifically identified as impaired or are held at fair value. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience and recorded in other liabilities. Changes in the estimate of losses for lending-related commitments are recorded in the consolidated statements of operations in provision for credit losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due except for subprime residential loans which are classified as non-performing no later than when the contractual payments of principal and/or interest are more than 120 days past due. The additional 30 days ensure that these loans are not incorrectly assessed as non-performing during the time when servicing of them typically is being transferred. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due or, in the case of subprime residential loans, 120 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statements of operations. In addition, the Group continues to add accrued interest receivable to the loans balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectibility and a provision is established as necessary.

A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time, and on at least a quarterly basis thereafter depending on various risk factors, the outstanding principal balance, net of provisions previously recorded, is evaluated for collectibility and additional provisions are established as required.

Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

Loans that were modified in a troubled debt restructuring are reported as restructured loans. Generally, a restructured loan would have been considered impaired and an associated allowance for loan losses would have been established prior to the restructuring. Loans modified in a troubled debt restructuring are reported as restructured loans to the end of the reporting year in which the loan was modified or for as long as an allowance for loan losses based on the terms specified by the restructuring agreement is associated with the restructured loan or an interest concession made at the time of the restructuring exists. In making the determination of whether an interest rate concession has been made, market interest rates for loans with comparable risk to borrowers of the same credit quality are considered. Loans that have been restructured in a troubled debt restructuring and are performing according to the new terms continue to accrue interest. Loan restructurings may include the receipt of assets in satisfaction of the loan, the modification of loan terms (e.g., reduction of interest rates, extension of maturity dates at a stated interest rate lower than the current market rate for new loans with similar risk, or reduction in principal amounts and/or accrued interest balances) or a combination of both.

Potential problem loans are impaired loans where contractual payments have been received according to schedule, but where doubt exists as to the collection of future contractual payments. Potential problem loans are evaluated for impairment on an individual basis and an allowance for loan losses is established as necessary. Potential problem loans continue to accrue interest.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. On settlement of a loan, if the loan balance is not collected in full, an allowance is established for the uncollected amount, if necessary, and the loan is then written off, net of any deferred loan fees and costs.

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

▸ Refer to "Impaired loans" in Note 18 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

### Loans held-for-sale

Loans, which the Group has the intent to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. Loans held-for-sale are included in other assets. Gains and losses on loans held-for-sale are recorded in other revenues.

### Purchased impaired loans

Purchased loans for which it is probable at acquisition that all contractually required payments will not be received are recorded at their net purchase price and no allowances are carried over. The excess of the estimated cash flows to be collected over the amount paid is accreted into interest income over the estimated recovery period when reasonable estimates can be made about the timing and amount of recovery. The Group does not consider such loans to be impaired at the time of acquisition. Such loans are deemed impaired only if the Group's estimate of cash to be received decreases below the estimate at the time of acquisition. Increases in the estimated expected recovery are recorded as a reversal of allowances, if any, and then recognized as an adjustment of the effective yield of the loan.

**Loans held at fair value under the fair value option**

Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues. The application of the fair value option does not change the loan's classification. Loan commitments carried at fair value are recorded in other assets or other liabilities, respectively.

**Premises and equipment**

Premises are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which is not to exceed ten years. Other tangible fixed assets such as computers, machinery, furnishings, vehicles, other equipment and building improvements are depreciated using the straight-line method over their estimated useful lives, generally three to ten years.

The Group capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Group depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding three years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Group reflects finance leasing activities for which it is the lessee by recording an asset in premises and equipment and a corresponding liability in other liabilities at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

**Goodwill and other intangible assets**

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized, rather it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test.

Other intangible assets may be acquired individually or as part of a group of assets assumed in a business combination. Other intangible assets include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured at the amount of cash disbursed or the fair value of other assets distributed. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002, that are determined to have an indefinite useful life, are not amortized; rather they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the indefinite intangible asset may be impaired. Mortgage servicing rights are included in non-amortizing other intangible assets and are carried at fair value, with changes in fair value recognized through earnings in the period in which they occur. Mortgage servicing rights represent the right to perform specified mortgage servicing activities on behalf of third parties. Mortgage servicing rights are either purchased from third parties or retained upon sale of acquired or originated loans.

**Recognition of an impairment on tangible fixed assets and finite intangible assets**

The Group evaluates premises and equipment and finite intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is considered not to be recoverable, an impairment is recorded in general and administrative expenses to the extent the fair value of the asset is less than its carrying amount. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

**Income taxes**

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the dates of the consolidated balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

The Group follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

**Life settlement contracts**

Life settlement contracts are initially recognized at the transaction price and subsequently carried at fair value unless the Group elects to apply the investment method. The contracts that are not accounted for under the investment method are carried at fair value and are recorded in trading assets.

Under the investment method, the contracts are initially recognized at the transaction price plus any directly related external costs and are recorded in other investments. Subsequently, all continuing premium payments made are capitalized unless the aggregated carrying value exceeds fair value, in which case an impairment allowance is established so that the carrying value does not exceed fair value.

**Brokerage receivables and brokerage payables**

The Group recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, and broker-dealers. The Group is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. The Group establishes credit limits for each customer and requires them to maintain margin collateral in compliance with applicable regulatory and internal guidelines. In order to conduct trades with an exchange or a third-party bank, the Group is required to maintain a margin. This is usually in the form of cash and deposited in a separate margin account with the exchange or broker. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

**Other assets**

**Derivative instruments used for hedging**

Derivative instruments are carried at fair value. The fair values of derivative instruments held for hedging are included as other assets or other liabilities in the consolidated balance sheets. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in trading revenues.

**Long-term debt**

Total long-term debt is comprised of debt issuances which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign currency denominated fixed and variable rate bonds.

The Group actively manages the interest rate risk on vanilla debt through the use of derivative contracts, primarily interest rate and currency swaps. In particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008 and instead applies hedge accounting per the guidance of ASC Topic 815 – Derivatives and Hedging.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, whose payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Group elected to account for substantially all of these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues.

**Other liabilities**

**Guarantees**

In cases where the Group acts as a guarantor, the Group recognizes in other liabilities, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including its ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

**Pensions and other post-retirement benefits**

The Group uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Group management. Among others, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Group's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Group's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Group records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

**Share-based compensation**

For all share-based awards granted to employees and existing awards modified on or after January 1, 2005, compensation expense is measured at grant date or modification date based on the fair value of the number of awards for which the requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis. For all outstanding unvested share-based awards as of January 1, 2005, compensation expense is measured based on the original grant date fair value of the award and is recognized over the remaining requisite service period of each award on a straight-line basis.

The Group uses the tax law ordering approach to determine the portion of the total tax expense that relates to windfall tax benefits that are to be recorded in additional paid-in capital. In addition, it elected to use the practical transition option in determining the amount of windfall tax benefits recorded in additional paid-in capital arising on awards that were fully vested prior to January 1, 2005.

Compensation expense for share-based awards that vest in annual installments (graded vesting), which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if such awards contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement. For awards granted to employees eligible for retirement prior to January 1, 2005, the Group's policy is to record compensation expense over the requisite service period.

Certain share-based awards also contain a performance condition, where the number of shares the employee is to receive is dependent on the performance (e.g., net income or return on equity (ROE)) of the Group or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental additional units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statements of operations over the remaining service period.

When awards contain market conditions, where the number of shares the employee receives varies based on changes in the Group share price, the incremental amount of extra shares the employee is expected to receive due to the market condition is estimated on the grant date and the total compensation expense is not adjusted thereafter for changes in the Group share price.

Certain employees own non-substantive equity interests in the form of carried interests in private equity funds managed by the Group. Expenses recognized under these ownership interests are reflected in the consolidated statements of operations in compensation and benefits.

The Group has certain option plans outstanding, primarily related to 1999 and prior years, which include a cash settlement feature. For those plans, liability award accounting is applied until settlement of the awards.

**Own shares, own bonds and financial instruments on own shares**

The Group may buy and sell own shares, own bonds and financial instruments on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to satisfy commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported as treasury shares, resulting in a reduction to total shareholders' equity. Financial instruments on own shares are recorded as assets or liabilities or as equity when the criteria for equity classification are met. Dividends received by subsidiaries on own shares and unrealized and realized gains and losses on own shares classified in total shareholders' equity are excluded from the consolidated statements of operations.

Any holdings of bonds issued by any Group entity are eliminated in the consolidated financial statements.

**Net interest income**

Interest income and interest expense arising from interest-bearing assets and liabilities other than those carried at fair value or the lower of cost or market are accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset and liability. Interest from debt securities and dividends on equity securities carried as trading assets and trading liabilities are recorded in interest and dividend income.

‣ Refer to Loans for further information on interest on loans.

**Commissions and fees**

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

Revenues from underwriting and fees from mergers and acquisitions (M&A) and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.

Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Underwriting fees are reported net of related expenses. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.

In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return or warranties on delivered items and services, and the probability of delivery of remaining undelivered items or services. This evaluation is made on a transaction-by-transaction basis.

If the criteria noted are met, then the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.

## 2 Recently issued accounting standards

### Recently adopted accounting standards

#### ASC Topic 210 – Balance Sheet

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to ASC Topic 210 – Balance Sheet. The amendments in ASU 2011-11 require an entity to prepare additional disclosures about offsetting and related arrangements. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information.

#### ASC Topic 220 – Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of AOCI by component. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 25 – Accumulated other comprehensive income and additional share information" for further information.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05), an update to ASC Topic 220 – Comprehensive Income. ASU 2011-05 provides an entity with the option to present total comprehensive income either in a single continuous statement or in two separate but consecutive statements. The adoption of ASU 2011-05 on January 1, 2012 did not have an impact on the Group's financial position, results of operations or cash flows.

#### ASC Topic 350 – Intangibles – Goodwill and Other

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), an update to ASC Topic 350 – Intangibles – Goodwill and Other. The amendments in ASU 2011-08 permit an entity to qualitatively assess whether the fair value of the reporting unit is less than the carrying amount. Based on the qualitative assessment, if an entity determines that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the entity must perform step one of the goodwill impairment test by calculating the fair value of the reporting unit and comparing the fair value to the carrying amount of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The adoption of ASU 2011-08 on January 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 360 – Property, Plant and Equipment

In December 2011, the FASB issued ASU 2011-10, "Derecognition of in Substance Real Estate – a Scope Clarification, a consensus of the FASB Emerging Issues Task Force" (ASU 2011-10), an update to ASC Topic 360 – Property, Plant and Equipment. ASU 2011-10 specifies that the guidance in ASC Subtopic 360-20, Property, Plant and Equipment – Real Estate Sales, would apply to an entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's non-recourse debt. The adoption of ASU 2011-10 on July 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 820 – Fair Value Measurement

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2011-04 include clarifications about the application of existing fair value measurement requirements and changes to principles for measuring fair value. ASU 2011-04 also requires additional disclosures about fair value measurements. The adoption of ASU 2011-04 on January 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 34 – Financial instruments" for further information.

### ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for interim and annual reporting periods beginning after December 15, 2013 with early adoption permitted. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 860 – Transfers and Servicing

In April 2011, the FASB issued ASU 2011-03, "Reconsideration of Effective Control for Repurchase Agreements" (ASU 2011-03), an update to ASC Topic 860 – Transfers and Servicing. Prior guidance prescribed when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. That determination was based, in part, on whether the entity has maintained effective control over the transferred financial assets. ASU 2011-03 removed from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The adoption of ASU 2011-03 on January 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

## Standards to be adopted in future periods

### ASC Topic 946 – Financial Services – Investment Companies

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08), an update to Topic 946 – Financial Services – Investment Companies. The amendments change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or cash flows.

## 3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for the 2013 as well as the Group's significant shareholders are discussed below.

### Business developments

#### Divestitures

The following divestiture occurred in 2013 and was not presented as a discontinued operation:

In August 2013, the Group completed the sale of JO Hambro resulting in net releases of CHF 84 million in cumulative translation adjustments, which does not include the net gain on sale of CHF 28 million, reflected in Private Banking & Wealth Management.

▸ Refer to "Note 4 – Discontinued operations" for further information on business divestitures.

▸ Refer to "Note 25 – Accumulated other comprehensive income and additional share information" for further information.

#### Mergers and acquisitions

Credit Suisse announced an agreement to acquire Morgan Stanley's private wealth management businesses in the Europe, Middle East and Africa (EMEA) region, excluding Switzerland. The business is based in the UK, Italy and Dubai, serving predominantly international ultra-high-net-worth individuals (UHNWI) and high-net-worth individual (HNWI) clients cross Europe. The acquisition, which was structured as an asset purchase for the businesses involved, partially closed in December 2013 and is expected to be completed during the course of 2014.

#### Introduction of non-strategic units

In the fourth quarter of 2013, the Group created non-strategic units within its Private Banking & Wealth Management and Investment Banking divisions and separated non-strategic items in the Corporate Center to further accelerate its reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on its strategic businesses and growth initiatives.

### Significant shareholders

In a disclosure notification that the Group published on April 6, 2013, the Group was notified that as of February 25, 2013, The Olayan Group, through its registered entity Crescent Holding GmbH, held 88.5 million shares, or 6.7%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from The Olayan Group relating to holdings of registered Group shares in 2013.

In a disclosure notification that the Group published on October 31, 2013, the Group was notified that as of October 23, 2013, Qatar Investment Authority, through its registered entity Qatar Holding LLC, held 82.0 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Qatar Investment Authority relating to holdings of registered Group shares in 2013.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2013.

### Subsequent events

In March 2014, the Group completed the spin-off of its DLJ Merchant Banking Partners business for no consideration to an entity controlled by members of current management. The Group will retain certain carried interest rights.

In March 2014, the Group required employees who hold outstanding 2011 Partner Asset Facility (PAF2) awards to reallocate their PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group terminated the PAF2 awards and exchanged them at fair value for other compensation awards.

▸ Refer to "Note 28 – Employee deferred compensation" for further information on the reallocation of PAF2 awards.

On March 21, 2014, the Group entered into an agreement with the Federal Housing Finance Agency (FHFA) to settle litigation claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, the Group will pay USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against Credit Suisse.

On April 3, 2014, the Group announced that its previously reported 2013 results were updated to reflect additional litigation provisions in connection with the US tax matter.

▸ Refer to "Note 38 – Litigation" for further information.

## 4 Discontinued operations

In July 2013, the Group completed the sale of its exchange-traded funds (ETF) business to BlackRock and recognized a pre-tax gain on disposal of CHF 146 million in the third quarter of 2013 net of allocated goodwill of CHF 72 million. The sale price received by the Group may increase through future contingent payments, if specified thresholds are met. BlackRock is a company unrelated to the Group.

In August 2013, the Group announced the sale of Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management. This transaction was completed in January 2014 and related gains of approximately CHF 90 million will be recognized in the first quarter of 2014. As of December 31, 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Group will continue to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In August 2013, the Group completed the sale of Strategic Partners, its dedicated secondary private equity business, to Blackstone and recognized a pre-tax gain on disposal of CHF 91 million in the third quarter of 2013 net of allocated goodwill of CHF 37 million. The Group will continue to receive carried interest from (and guarantee related claw-back obligations), hold limited partner interests in, and have unfunded commitments to, investment funds managed by Strategic Partners. The Group will also continue to guarantee minimum investment returns to certain third-party investors under existing side letter agreements. Blackstone is a company unrelated to the Group.

In December 2013, the Group completed the spin-off of DLJ Investment Partners, a dedicated private equity mezzanine investment business of the Group, to Portfolio Advisors, LLC with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for any of the periods reported. Portfolio Advisors, LLC is a company unrelated to the Group.

In December 2013, the Group announced the sale of its domestic private banking business booked in Germany (German private banking business) to ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of December 31, 2013, the German private banking business had total assets and liabilities of CHF 1,553 million and CHF 1,140 million, respectively, that were held-for-sale. ABN AMRO is a company unrelated to the Group.

### Assets held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Cash | 960 |
| Loans | 575 |
| Other assets | 18 |
| **Total assets held-for-sale** | **1,553** |
| **CFIG (CHF million)** | |
| Fees receivable | 8 |
| Goodwill | 23 |
| **Total assets held-for-sale** | **31** |
| **Group (CHF million)** | |
| **Total assets held-for-sale** | **1,584** |

### Liabilities held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Deposits | 1,118 |
| Other liabilities | 22 |
| **Total liabilities held-for-sale** | **1,140** |
| **Group (CHF million)** | |
| **Total liabilities held-for-sale** | **1,140** |

For the operations discontinued in 2013, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

## Income/(loss) from discontinued operations

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operations-related (CHF million)** | | | |
| **Net revenues** | **233** | **288** | **284** |
| of which German private banking business | 52 | 54 | 61 |
| of which ETF business | 29 | 53 | 36 |
| of which Strategic Partners | 33 | 60 | 42 |
| of which CFIG | 114 | 116 | 127 |
| Operating expenses | 158 | 296 | 294 |
| of which German private banking business | 71 | 108 | 98 |
| of which ETF business | 23 | 49 | 50 |
| of which Strategic Partners | 8 | 38 | 30 |
| of which CFIG | 51 | 88 | 98 |
| Income tax expense/(benefit) | 38 | 32 | 15 |
| of which German private banking business | (6) | 2 | (11) |
| of which ETF business | 5 | 2 | (2) |
| of which Strategic Partners | 10 | 15 | 7 |
| of which CFIG | 29 | 16 | 21 |
| **Income/(loss), net of tax** | **37** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 1 | 2 | (12) |
| of which Strategic Partners | 15 | 7 | 5 |
| of which CFIG | 34 | 12 | 8 |
| **Transaction-related (CHF million)** | | | |
| **Gain on disposal** | **237** | **–** | **–** |
| of which ETF business | 146 | – | – |
| of which Strategic Partners | 91 | – | – |
| Transaction-related expenses | 93 | – | – |
| of which ETF business | 11 | – | – |
| of which Strategic Partners | 22 | – | – |
| of which CFIG | 56 | – | – |
| Income tax expense/(benefit) | 36 | – | – |
| of which ETF business | 21 | – | – |
| of which Strategic Partners | 40 | – | – |
| of which CFIG | (24) | – | – |
| **Income/(loss), net of tax** | **108** | **–** | **–** |
| of which ETF business | 114 | – | – |
| of which Strategic Partners | 29 | – | – |
| of which CFIG | (32) | – | – |
| **Discontinued operations – total (CHF million)** | | | |
| **Income/(loss) from discontinued operations, net of tax** | **145** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 115 | 2 | (12) |
| of which Strategic Partners | 44 | 7 | 5 |
| of which CFIG | 2 | 12 | 8 |

## 5 Segment information

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT.

The segment information reflects the Group's reportable segments as follows:

- Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Wealth Management Clients serves UHNWI and HNWI around the globe in addition to affluent and retail clients in Switzerland. Corporate & Institutional Clients serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across asset classes and for all investment styles, serving governments, institutions, corporations and individuals worldwide.
- Investment Banking offers investment banking and securities products and services to corporate, institutional and government clients around the world. Its products and services include debt and equity underwriting, sales and trading, M&A advice, divestitures, corporate sales, restructuring and investment research.

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

Noncontrolling interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest (SEI) in such revenues and expenses are reported as noncontrolling interests without SEI. The consolidation of these entities does not affect net income attributable to shareholders as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as noncontrolling interests. In addition, the Group's tax expense is not affected by these revenues and expenses.

**Revenue sharing and cost allocation**

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis.

The aim of revenue-sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions.

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

**Funding**

The Group centrally manages its funding activities. New securities for funding and capital purposes are issued primarily by Credit Suisse AG, the Swiss bank subsidiary of the Group (the Bank). The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expenses in each of the segments for this capital and funding. The Group's funds transfer pricing system is designed to allocate to its businesses funding costs in a way that incentivizes their efficient use of funding. The Group's funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures the full funding costs allocation under normal business conditions, but it is of even greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, the Group's businesses are also credited to the extent they provide long-term stable funding.

**Taxes**

The Group's segments are managed and reported on a pre-tax basis.

## Net revenues and income/(loss) from continuing operations before taxes

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Private Banking & Wealth Management | 13,442 | 13,474 | 13,397 |
| Investment Banking | 12,565 | 12,558 | 10,460 |
| Corporate Center | (790) | (2,781) | 1,238 |
| Noncontrolling interests without SEI | 639 | 360 | 796 |
| **Net revenues** | **25,856** | **23,611** | **25,891** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Private Banking & Wealth Management | 3,240 | 3,775 | 2,961 |
| Investment Banking | 1,719 | 2,002 | (593) |
| Corporate Center | (1,455) | (3,889) | 391 |
| Noncontrolling interests without SEI | 592 | 302 | 712 |
| **Income from continuing operations before taxes** | **4,096** | **2,190** | **3,471** |

## Total assets

| end of | 2013 | 2012 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Private Banking & Wealth Management | 279,139 | 275,683 |
| Investment Banking | 502,799 | 563,758 |
| Corporate Center | 87,244 | 80,733 |
| Noncontrolling interests without SEI | 3,624 | 4,106 |
| **Total assets** | **872,806** | **924,280** |

Beginning in the first quarter of 2013, segment assets exclude intra-group balances between the segments. Prior period has been reclassified to conform to the current presentation.

## Net revenues and income/(loss) from continuing operations before taxes by geographic location

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Switzerland | 8,035 | 8,769 | 8,546 |
| EMEA | 4,744 | 3,243 | 6,429 |
| Americas | 10,810 | 9,763 | 9,182 |
| Asia Pacific | 2,267 | 1,836 | 1,734 |
| **Net revenues** | **25,856** | **23,611** | **25,891** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 642 | 1,680 | 455 |
| EMEA | 157 | (1,581) | 1,350 |
| Americas | 3,365 | 2,915 | 2,586 |
| Asia Pacific | (68) | (824) | (920) |
| **Income from continuing operations before taxes** | **4,096** | **2,190** | **3,471** |

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Group is managed.

### Total assets by geographic location

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Total assets (CHF million)** | | |
| Switzerland | 200,044 | 199,595 |
| EMEA | 194,675 | 222,483 |
| Americas | 398,198 | 421,418 |
| Asia Pacific | 79,889 | 80,784 |
| **Total assets** | **872,806** | **924,280** |

The designation of total assets by region is based upon customer domicile.

## 6 Net interest income

| in | 2013 | 2012 | 2011 |
| --- | --- | --- | --- |
| **Net interest income (CHF million)** | | | |
| Loans | 4,843 | 4,861 | 4,863 |
| Investment securities | 45 | 64 | 97 |
| Trading assets | 10,057 | 11,945 | 11,695 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 2,517 | 2,940 | 3,265 |
| Other | 2,094 | 2,280 | 3,056 |
| Interest and dividend income | 19,556 | 22,090 | 22,976 |
| Deposits | (978) | (1,345) | (1,675) |
| Short-term borrowings | (132) | (184) | (69) |
| Trading liabilities | (5,083) | (6,833) | (7,125) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (1,156) | (1,677) | (1,621) |
| Long-term debt | (3,846) | (4,632) | (5,659) |
| Other | (246) | (276) | (401) |
| Interest expense | (11,441) | (14,947) | (16,550) |
| **Net interest income** | **8,115** | **7,143** | **6,426** |

## 7 Commissions and fees

| in | 2013 | 2012 | 2011 |
| --- | --- | --- | --- |
| **Commissions and fees (CHF million)** | | | |
| Lending business | 1,814 | 1,513 | 1,296 |
| Investment and portfolio management | 3,944 | 3,715 | 3,768 |
| Other securities business | 106 | 110 | 120 |
| Fiduciary business | 4,050 | 3,825 | 3,888 |
| Underwriting | 1,647 | 1,561 | 1,479 |
| Brokerage | 3,933 | 3,686 | 4,055 |
| Underwriting and brokerage | 5,580 | 5,247 | 5,534 |
| Other services | 1,782 | 2,139 | 1,920 |
| **Commissions and fees** | **13,226** | **12,724** | **12,638** |

## 8 Trading revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 1,025 | 2,707 | 6,794 |
| Foreign exchange products | 1,203 | 559 | (4,433) |
| Equity/index-related products | 956 | 140 | 1,645 |
| Credit products | (879) | (3,306) | 522 |
| Commodity, emission and energy products | 340 | 198 | 361 |
| Other products | 94 | 898 | 132 |
| **Trading revenues** | **2,739** | **1,196** | **5,021** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

Trading revenues includes revenues from trading financial assets and liabilities as follows:

- Equities;
- Commodities;
- Listed and OTC derivatives;
- Derivatives linked to funds of hedge funds and providing financing facilities to funds of hedge funds;
- Market making in the government bond and associated OTC derivative swap markets;
- Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper (CP);
- Market making and positioning in foreign exchange products;
- Credit derivatives on investment grade and high yield credits;
- Trading and securitizing all forms of securities that are based on underlying pools of assets; and
- Life settlement contracts.

Trading revenues also includes changes in the fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:

- Central bank funds purchased/sold;
- Securities purchased/sold under resale/repurchase agreements;
- Securities borrowing/lending transactions;
- Loans and loan commitments; and
- Customer deposits, short-term borrowings and long-term debt.

**Managing the risks**

As a result of the Group's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors and locations. The Group uses an economic capital limit structure to limit overall risk taking. The level of risk incurred by its divisions is further restricted by a variety of specific limits, including consolidated controls over trading exposures. Also, as part of its overall risk management, the Group holds a portfolio of economic hedges. Hedges are impacted by market movements, similar to trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to economically hedge. The Group manages its trading risk with regard to both market and credit risk. For market risk, it uses tools capable of calculating comparable exposures across its many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

The principal measurement methodology for trading assets, as well as most instruments for which the fair value option was elected, is value-at-risk. The Group holds securities as collateral and enters into credit default swaps (CDS) to mitigate the credit risk on these products.

## 9 Other revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without SEI | 658 | 336 | 701 |
| Loans held-for-sale | (5) | (37) | (4) |
| Long-lived assets held-for-sale | 30 | 458 | (40) |
| Equity method investments | 251 | 150 | 141 |
| Other investments | 315 | 749 | 457 |
| Other | 527 | 892 | 551 |
| **Other revenues** | **1,776** | **2,548** | **1,806** |

## 10 Provision for credit losses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 166 | 159 | 141 |
| Provision for lending-related and other exposures | 1 | 11 | 46 |
| **Provision for credit losses** | **167** | **170** | **187** |

## 11 Compensation and benefits

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 9,678 | 10,717 | 11,286 |
| Social security | 778 | 769 | 865 |
| Other [1] | 800 | 817 | 850 |
| **Compensation and benefits [2]** | **11,256** | **12,303** | **13,001** |

[1] Includes pension and other post-retirement expense of CHF 490 million, CHF 532 million and CHF 610 million in 2013, 2012 and 2011, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 218 million, CHF 456 million and CHF 715 million in 2013, 2012 and 2011, respectively.

## 12 General and administrative expenses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 1,186 | 1,220 | 1,122 |
| IT, machinery, etc. | 1,517 | 1,469 | 1,448 |
| Provisions and losses | 2,136 | 694 | 704 |
| Travel and entertainment | 355 | 394 | 441 |
| Professional services | 1,952 | 1,919 | 2,060 |
| Goodwill impairment | 12 | 0 | 0 |
| Amortization and impairment of other intangible assets | 25 | 36 | 30 |
| Other | 1,416 | 1,514 | 1,488 |
| **General and administrative expenses** | **8,599** | **7,246** | **7,293** |

## 13 Earnings per share

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Basic net income attributable to shareholders (CHF million)** | | | |
| **Income from continuing operations** | **2,181** | **1,389** | **1,978** |
| Income/(loss) from discontinued operations, net of tax | 145 | (40) | (25) |
| **Net income attributable to shareholders** | **2,326** | **1,349** | **1,953** |
| Preferred securities dividends | (236) | (231) | (216) |
| **Net income attributable to shareholders for basic earnings per share** | **2,090** | **1,118** | **1,737** |
| Available for common shares | 1,868 | 1,044 | 1,641 |
| Available for unvested share-based payment awards | 152 | 66 | 96 |
| Available for mandatory convertible securities [1] | 70 | 8 | – |
| **Diluted net income attributable to shareholders (CHF million)** | | | |
| **Net income attributable to shareholders for basic earnings per share** | **2,090** | **1,118** | **1,737** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | – |
| **Net income attributable to shareholders for diluted earnings per share** | **2,090** | **1,118** | **1,737** |
| Available for common shares | 1,868 | 1,044 | 1,641 |
| Available for unvested share-based payment awards | 152 | 66 | 96 |
| Available for mandatory convertible securities [1] | 70 | 8 | – |
| **Weighted-average shares outstanding (million)** | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,532.9** | **1,320.4** | **1,239.3** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | – |
| Dilutive share options and warrants | 1.4 | 4.9 | 2.9 |
| Dilutive share awards | 1.2 | 1.8 | 5.3 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,535.5** | **1,327.1** | **1,247.5** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **125.0** | **97.3** | **72.6** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **63.0** | **97.1** | **–** |
| **Basic earnings per share available for common shares (CHF)** | | | |
| Basic earnings per share from continuing operations | 1.14 | 0.82 | 1.34 |
| Basic earnings/(loss) per share from discontinued operations | 0.08 | (0.03) | (0.02) |
| **Basic earnings per share available for common shares** | **1.22** | **0.79** | **1.32** |
| **Diluted earnings per share available for common shares (CHF)** | | | |
| Diluted earnings per share from continuing operations | 1.14 | 0.82 | 1.34 |
| Diluted earnings/(loss) per share from discontinued operations | 0.08 | (0.03) | (0.02) |
| **Diluted earnings per share available for common shares** | **1.22** | **0.79** | **1.32** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding that arose from the 2013 stock dividend, as required under US GAAP.

[1] Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

[2] Reflects changes in the fair value of the PAF2 units which are reflected in the net profit of the Group until the awards are finally settled. Fair value of the PAF2 units which are reflected in the net profit of the Group are not adjusted for 2013 and 2012, respectively, as the effect would be antidilutive.

[3] Reflects weighted-average shares outstanding on PAF2 units. Weighted-average shares on PAF2 units for 2013 and 2012, respectively, were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

[4] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 35.9 million, 50.3 million and 37.3 million for 2013, 2012 and 2011, respectively.

## 14 Securities borrowed, lent and subject to repurchase agreements

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Securities borrowed or purchased under agreements to resell (CHF million)** | | |
| Central bank funds sold and securities purchased under resale agreements | 100,244 | 121,242 |
| Deposits paid for securities borrowed | 59,778 | 62,213 |
| **Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions** | **160,022** | **183,455** |
| **Securities lent or sold under agreements to repurchase (CHF million)** | | |
| Central bank funds purchased and securities sold under repurchase agreements | 86,828 | 120,164 |
| Deposits received for securities lent | 7,204 | 12,557 |
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions** | **94,032** | **132,721** |

Repurchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time.

In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2013 and 2012.

## 15 Trading assets and liabilities

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Trading assets (CHF million)** | | |
| Debt securities | 110,116 | 135,871 |
| Equity securities [1] | 76,695 | 74,895 |
| Derivative instruments [2] | 31,603 | 33,208 |
| Other | 10,999 | 12,425 |
| **Trading assets** | **229,413** | **256,399** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 40,161 | 51,303 |
| Derivative instruments [2] | 36,474 | 39,513 |
| **Trading liabilities** | **76,635** | **90,816** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Cash collateral – netted (CHF million)** [1] | | |
| Cash collateral paid | 23,870 | 36,662 |
| Cash collateral received | 20,500 | 33,373 |
| **Cash collateral – not netted (CHF million)** [2] | | |
| Cash collateral paid | 8,359 | 10,904 |
| Cash collateral received | 11,663 | 12,224 |

[1] Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

## 16 Investment securities

| end of | 2013 | 2012 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 2,987 | 3,498 |
| **Total investment securities** | **2,987** | **3,498** |

### Investment securities by type

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 389 | 15 | 2 | 402 | 452 | 31 | 0 | 483 |
| Debt securities issued by foreign governments | 1,350 | 39 | 1 | 1,388 | 1,523 | 82 | 0 | 1,605 |
| Corporate debt securities | 590 | 16 | 0 | 606 | 823 | 22 | 0 | 845 |
| Collateralized debt obligations | 480 | 11 | 1 | 490 | 448 | 22 | 0 | 470 |
| Debt securities available-for-sale | 2,809 | 81 | 4 | 2,886 | 3,246 | 157 | 0 | 3,403 |
| Banks, trust and insurance companies | 74 | 18 | 0 | 92 | 73 | 14 | 0 | 87 |
| Industry and all other | 9 | 0 | 0 | 9 | 8 | 0 | 0 | 8 |
| Equity securities available-for-sale | 83 | 18 | 0 | 101 | 81 | 14 | 0 | 95 |
| **Securities available-for-sale** | **2,892** | **99** | **4** | **2,987** | **3,327** | **171** | **0** | **3,498** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **2013 (CHF million)** | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 168 | 2 | 0 | 0 | 168 | 2 |
| Debt securities issued by foreign governments | 109 | 1 | 0 | 0 | 109 | 1 |
| Collateralized debt obligations | 10 | 1 | 0 | 0 | 10 | 1 |
| **Debt securities available-for-sale** | **287** | **4** | **0** | **0** | **287** | **4** |

Management determined that the unrealized losses on debt securities are primarily attributable to general market interest rate, credit spread or exchange rate movements. There were no unrealized losses on investment securities in 2012. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | | | |
| Proceeds from sales | 163 | 13 | 294 | 642 | 2,117 | 1 |
| Realized gains | 7 | 1 | 14 | 294 | 40 | 0 |
| Realized losses | 0 | 0 | (2) | 0 | (22) | 0 |

### Amortized cost, fair value and average yield of debt securities

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2013 (CHF million)** | | | |
| Due within 1 year | 543 | 547 | 1.43 |
| Due from 1 to 5 years | 1,702 | 1,760 | 2.11 |
| Due from 5 to 10 years | 475 | 491 | 2.13 |
| Due after 10 years | 89 | 88 | 1.46 |
| **Total debt securities** | **2,809** | **2,886** | **1.96** |

## 17 Other investments

| end of | **2013** | 2012 |
|---|---|---|
| **Other investments (CHF million)** | | |
| Equity method investments | 2,043 | 2,167 |
| Non-marketable equity securities [1] | 6,032 | 7,296 |
| Real estate held for investment | 600 | 687 |
| Life finance instruments [2] | 1,654 | 1,872 |
| **Total other investments** | **10,329** | **12,022** |

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee.
[2] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities held by subsidiaries that are considered investment companies are held by separate legal entities that are within the scope of ASC Topic 946 – Financial Services – Investment Companies. In addition, non-marketable equity securities held by subsidiaries that are considered broker-dealer entities are held by separate legal entities that are within the scope of ASC Topic 940 – Financial Services – Brokers and Dealers. Non-marketable equity securities include investments in entities that regularly calculate net asset value (NAV) per share or its equivalent.

▸ Refer to "Note 34 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Group performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 48 million, CHF 13 million and CHF 3 million were recorded in 2013, 2012 and 2011, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 340 million, CHF 330 million and CHF 327 million for 2013, 2012 and 2011, respectively.

## 18 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default (PD) of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

### Loans

| end of | 2013 | 2012 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 94,978 | 91,872 |
| Loans collateralized by securities | 31,565 | 27,363 |
| Consumer finance | 5,938 | 6,901 |
| Consumer | 132,481 | 126,136 |
| Real estate [1] | 27,312 | 25,801 |
| Commercial and industrial loans [1] | 63,334 | 63,028 |
| Financial institutions [1] | 21,840 | 25,902 |
| Governments and public institutions [1] | 3,047 | 2,337 |
| Corporate & institutional | 115,533 | 117,068 |
| **Gross loans** | **248,014** | **243,204** |
| of which held at amortized cost | 228,557 | 223,204 |
| of which held at fair value | 19,457 | 20,000 |
| Net (unearned income)/deferred expenses | (91) | (59) |
| Allowance for loan losses | (869) | (922) |
| **Net loans** | **247,054** | **242,223** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 151,992 | 151,226 |
| Foreign | 96,022 | 91,978 |
| **Gross loans** | **248,014** | **243,204** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 862 | 859 |
| Non-interest-earning loans | 281 | 313 |
| Total non-performing and non-interest-earning loans | 1,143 | 1,172 |
| Restructured loans | 6 | 30 |
| Potential problem loans | 340 | 527 |
| Total other impaired loans | 346 | 557 |
| **Gross impaired loans** | **1,489** | **1,729** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

## Allowance for loan losses

| | | | 2013 | | | 2012 | | | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **288** | **634** | **922** | **289** | **621** | **910** | **279** | **738** | **1,017** |
| Changes in scope of consolidation | 0 | (1) | (1) | (18) | 0 | (18) | 0 | 0 | 0 |
| Net movements recognized in statements of operations | 76 | 90 | 166 | 95 | 64 | 159 | 87 | 54 | 141 |
| Gross write-offs | (123) | (163) | (286) | (105) | (96) | (201) | (124) | (175) | (299) |
| Recoveries | 24 | 30 | 54 | 22 | 22 | 44 | 39 | 2 | 41 |
| Net write-offs | (99) | (133) | (232) | (83) | (74) | (157) | (85) | (173) | (258) |
| Provisions for interest | 5 | 21 | 26 | 8 | 21 | 29 | 2 | 12 | 14 |
| Foreign currency translation impact and other adjustments, net | (3) | (9) | (12) | (3) | 2 | (1) | 6 | (10) | (4) |
| **Balance at end of period** | **267** | **602** | **869** | **288** | **634** | **922** | **289** | **621** | **910** |
| of which individually evaluated for impairment | 217 | 437 | 654 | 239 | 457 | 696 | 222 | 428 | 650 |
| of which collectively evaluated for impairment | 50 | 165 | 215 | 49 | 177 | 226 | 67 | 193 | 260 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **132,470** | **96,087** | **228,557** | **126,124** | **97,080** | **223,204** | **121,401** | **92,262** | **213,663** |
| of which individually evaluated for impairment [1] | 569 | 920 | 1,489 | 661 | 1,068 | 1,729 | 665 | 1,053 | 1,718 |
| of which collectively evaluated for impairment | 131,901 | 95,167 | 227,068 | 125,463 | 96,012 | 221,475 | 120,736 | 91,209 | 211,945 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| | | | 2013 | | | 2012 | | | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 4,611 | 4,611 | 348 | 4,605 | 4,953 | 0 | 4,121 | 4,121 |
| Reclassifications from loans held-for-sale [2] | 0 | 275 | 275 | 0 | 216 | 216 | 0 | 0 | 0 |
| Reclassifications to loans held-for-sale [3] | 0 | 996 | 996 | 0 | 1,323 | 1,323 | 0 | 1,363 | 1,363 |
| Sales [3] | 0 | 698 | 698 | 0 | 1,058 | 1,058 | 0 | 1,117 | 1,117 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

**Credit quality of loans held at amortized cost**

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses internal risk ratings as credit quality indicators.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Internal ratings are assigned to all loans reflecting the Group's internal view of the credit quality of the obligor. Internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and risk-weighted assets, a PD is assigned to each loan. For corporate & institutional loans excluding corporates managed on the Swiss platform, the PD is determined by the internal credit rating. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value ratio and the borrower's income level for mortgage lending, and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating.

Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides the Group the right to liquidate the collateral held. The Group risk manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. Also, the Group has elected the fair value option for the majority of its reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

The following tables present the Group's recorded investment in loans held at amortized cost by internal counterparty credit ratings that are used as credit quality indicators for the purpose of this disclosure, and a related aging analysis.

### Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | | | | |
| Mortgages | 302 | 2,257 | 17,398 | 57,033 | 16,857 | 883 | 39 | 0 | 0 | 209 | 94,978 |
| Loans collateralized by securities | 182 | 349 | 4,214 | 24,497 | 2,131 | 90 | 2 | 6 | 0 | 94 | 31,565 |
| Consumer finance | 0 | 14 | 226 | 2,501 | 1,952 | 824 | 43 | 0 | 119 | 248 | 5,927 |
| Consumer | 484 | 2,620 | 21,838 | 84,031 | 20,940 | 1,797 | 84 | 6 | 119 | 551 | 132,470 |
| Real estate | 1,344 | 1,050 | 3,511 | 13,669 | 6,897 | 322 | 0 | 1 | 0 | 72 | 26,866 |
| Commercial and industrial loans | 183 | 740 | 1,901 | 21,232 | 23,131 | 3,621 | 232 | 6 | 6 | 671 | 51,723 |
| Financial institutions | 1,319 | 1,706 | 4,041 | 5,625 | 2,440 | 776 | 14 | 1 | 0 | 112 | 16,034 |
| Governments and public institutions | 78 | 324 | 178 | 440 | 148 | 73 | 223 | 0 | 0 | 0 | 1,464 |
| Corporate & institutional | 2,924 | 3,820 | 9,631 | 40,966 | 32,616 | 4,792 | 469 | 8 | 6 | 855 | 96,087 |
| **Gross loans held at amortized cost** | **3,408** | **6,440** | **31,469** | **124,997** | **53,556** | **6,589** | **553** | **14** | **125** | **1,406** | **228,557** |
| Value of collateral [1] | 2,553 | 5,046 | 28,186 | 116,971 | 45,376 | 3,372 | 102 | 1 | 10 | 616 | 202,233 |
| **2012 (CHF million)** | | | | | | | | | | | |
| Mortgages | 387 | 730 | 12,176 | 58,491 | 19,255 | 599 | 13 | 9 | 0 | 212 | 91,872 |
| Loans collateralized by securities | 79 | 57 | 948 | 23,357 | 2,728 | 92 | 6 | 1 | 0 | 95 | 27,363 |
| Consumer finance | 0 | 6 | 100 | 3,324 | 2,065 | 901 | 39 | 0 | 129 | 325 | 6,889 |
| Consumer | 466 | 793 | 13,224 | 85,172 | 24,048 | 1,592 | 58 | 10 | 129 | 632 | 126,124 |
| Real estate [2] | 333 | 374 | 2,199 | 14,537 | 7,762 | 195 | 0 | 0 | 0 | 55 | 25,455 |
| Commercial and industrial loans [2] | 166 | 325 | 1,580 | 22,040 | 23,070 | 3,467 | 209 | 1 | 47 | 763 | 51,668 |
| Financial institutions [2] | 2,288 | 2,087 | 4,661 | 5,260 | 3,566 | 382 | 0 | 33 | 14 | 147 | 18,438 |
| Governments and public institutions | 131 | 50 | 360 | 521 | 127 | 101 | 229 | 0 | 0 | 0 | 1,519 |
| Corporate & institutional | 2,918 | 2,836 | 8,800 | 42,358 | 34,525 | 4,145 | 438 | 34 | 61 | 965 | 97,080 |
| **Gross loans held at amortized cost** | **3,384** | **3,629** | **22,024** | **127,530** | **58,573** | **5,737** | **496** | **44** | **190** | **1,597** | **223,204** |
| Value of collateral [1] | 2,918 | 2,616 | 19,526 | 116,583 | 48,342 | 3,210 | 189 | 44 | 15 | 791 | 194,234 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

#### Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

### Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 94,657 | 103 | 26 | 25 | 167 | 321 | 94,978 |
| Loans collateralized by securities | 31,365 | 95 | 2 | 12 | 91 | 200 | 31,565 |
| Consumer finance | 5,218 | 377 | 93 | 55 | 184 | 709 | 5,927 |
| Consumer | 131,240 | 575 | 121 | 92 | 442 | 1,230 | 132,470 |
| Real estate | 26,774 | 19 | 2 | 2 | 69 | 92 | 26,866 |
| Commercial and industrial loans | 50,879 | 343 | 77 | 74 | 350 | 844 | 51,723 |
| Financial institutions | 15,841 | 87 | 2 | 1 | 103 | 193 | 16,034 |
| Governments and public institutions | 1,459 | 5 | 0 | 0 | 0 | 5 | 1,464 |
| Corporate & institutional | 94,953 | 454 | 81 | 77 | 522 | 1,134 | 96,087 |
| **Gross loans held at amortized cost** | **226,193** | **1,029** | **202** | **169** | **964** | **2,364** | **228,557** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 91,527 | 156 | 17 | 11 | 161 | 345 | 91,872 |
| Loans collateralized by securities | 27,034 | 220 | 3 | 3 | 103 | 329 | 27,363 |
| Consumer finance | 6,116 | 420 | 90 | 52 | 211 | 773 | 6,889 |
| Consumer | 124,677 | 796 | 110 | 66 | 475 | 1,447 | 126,124 |
| Real estate [1] | 25,296 | 107 | 2 | 2 | 48 | 159 | 25,455 |
| Commercial and industrial loans [1] | 50,407 | 720 | 27 | 138 | 376 | 1,261 | 51,668 |
| Financial institutions [1] | 18,205 | 53 | 2 | 34 | 144 | 233 | 18,438 |
| Governments and public institutions | 1,484 | 35 | 0 | 0 | 0 | 35 | 1,519 |
| Corporate & institutional | 95,392 | 915 | 31 | 174 | 568 | 1,688 | 97,080 |
| **Gross loans held at amortized cost** | **220,069** | **1,711** | **141** | **240** | **1,043** | **3,135** | **223,204** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

## Impaired loans

### Categories of impaired loans

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to "Loans" in Note 1 – Summary of significant accounting policies for further information on categories of impaired loans.

As of December 31, 2013 and 2012, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2013 and 2012, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

In 2013, 2012 and 2011 the number of troubled debt restructurings and related financial effects and the number of defaults and related carrying values of loans, which had been restructured within the previous 12 months, were not material.

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 167 | 13 | 180 | 0 | 45 | 45 | 225 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 4 | 4 | 95 |
| Consumer finance | 244 | 5 | 249 | 0 | 0 | 0 | 249 |
| Consumer | 431 | 89 | 520 | 0 | 49 | 49 | 569 |
| Real estate | 53 | 15 | 68 | 0 | 5 | 5 | 73 |
| Commercial and industrial loans | 307 | 144 | 451 | 6 | 258 | 264 | 715 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 431 | 192 | 623 | 6 | 291 | 297 | 920 |
| **Gross impaired loans** | **862** | **281** | **1,143** | **6** | **340** | **346** | **1,489** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 154 | 16 | 170 | 0 | 69 | 69 | 239 |
| Loans collateralized by securities | 18 | 74 | 92 | 0 | 3 | 3 | 95 |
| Consumer finance | 315 | 10 | 325 | 0 | 2 | 2 | 327 |
| Consumer | 487 | 100 | 587 | 0 | 74 | 74 | 661 |
| Real estate | 46 | 5 | 51 | 0 | 15 | 15 | 66 |
| Commercial and industrial loans | 268 | 170 | 438 | 30 | 373 | 403 | 841 |
| Financial institutions | 58 | 38 | 96 | 0 | 65 | 65 | 161 |
| Corporate & institutional | 372 | 213 | 585 | 30 | 453 | 483 | 1,068 |
| **Gross impaired loans** | **859** | **313** | **1,172** | **30** | **527** | **557** | **1,729** |

### Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. In Investment Banking, a loan is written down to its net book value once the loan provision is greater than 80% of the loan notional amount, unless repayment of the loan is anticipated to occur within the next two quarters. In Private Banking & Wealth Management, write-offs are made, based on an individual counterparty assessment performed by Group credit risk management, if it is certain that parts of a loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written-off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Group evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include for example i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Group, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, Group credit risk management evaluates the need for write-offs individually and on an ongoing basis.

Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

## Gross impaired loan details

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 207 | 197 | 28 | 206 | 197 | 32 |
| Loans collateralized by securities | 67 | 63 | 55 | 68 | 66 | 53 |
| Consumer finance | 231 | 211 | 134 | 302 | 280 | 154 |
| Consumer | 505 | 471 | 217 | 576 | 543 | 239 |
| Real estate | 71 | 65 | 15 | 63 | 55 | 22 |
| Commercial and industrial loans | 705 | 656 | 340 | 715 | 677 | 342 |
| Financial institutions | 131 | 127 | 82 | 157 | 155 | 93 |
| Corporate & institutional | 907 | 848 | 437 | 935 | 887 | 457 |
| **Gross impaired loans with a specific allowance** | **1,412** | **1,319** | **654** | **1,511** | **1,430** | **696** |
| Mortgages | 18 | 18 | – | 33 | 33 | – |
| Loans collateralized by securities | 28 | 28 | – | 27 | 28 | – |
| Consumer finance | 18 | 18 | – | 25 | 25 | – |
| Consumer | 64 | 64 | – | 85 | 86 | – |
| Real estate | 2 | 2 | – | 3 | 3 | – |
| Commercial and industrial loans | 10 | 10 | – | 126 | 128 | – |
| Financial institutions | 1 | 1 | – | 4 | 4 | – |
| Corporate & institutional | 13 | 13 | – | 133 | 135 | – |
| **Gross impaired loans without specific allowance** | **77** | **77** | **–** | **218** | **221** | **–** |
| **Gross impaired loans** | **1,489** | **1,396** | **654** | **1,729** | **1,651** | **696** |
| of which consumer | 569 | 535 | 217 | 661 | 629 | 239 |
| of which corporate & institutional | 920 | 861 | 437 | 1,068 | 1,022 | 457 |

## Gross impaired loan details (continued)

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 204 | 1 | 1 | 217 | 1 | 1 | 222 | 1 | 0 |
| Loans collateralized by securities | 70 | 2 | 2 | 68 | 1 | 0 | 82 | 1 | 0 |
| Consumer finance | 256 | 0 | 0 | 277 | 3 | 3 | 276 | 2 | 1 |
| Consumer | 530 | 3 | 3 | 562 | 5 | 4 | 580 | 4 | 1 |
| Real estate | 72 | 1 | 1 | 58 | 0 | 0 | 47 | 1 | 1 |
| Commercial and industrial loans | 748 | 5 | 5 | 620 | 3 | 2 | 871 | 7 | 6 |
| Financial institutions | 136 | 0 | 0 | 201 | 2 | 2 | 160 | 0 | 0 |
| Governments and public institutions | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0 | 0 |
| Corporate & institutional | 956 | 6 | 6 | 885 | 5 | 4 | 1,084 | 8 | 7 |
| **Gross impaired loans with a specific allowance** | **1,486** | **9** | **9** | **1,447** | **10** | **8** | **1,664** | **12** | **8** |
| Mortgages | 26 | 0 | 0 | 40 | 0 | 0 | 94 | 0 | 0 |
| Loans collateralized by securities | 27 | 0 | 0 | 8 | 0 | 0 | 4 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 41 | 0 | 0 | 19 | 0 | 0 |
| Consumer | 75 | 0 | 0 | 89 | 0 | 0 | 117 | 0 | 0 |
| Real estate | 11 | 0 | 0 | 13 | 0 | 0 | 74 | 5 | 5 |
| Commercial and industrial loans | 59 | 0 | 0 | 215 | 3 | 3 | 149 | 1 | 0 |
| Financial institutions | 2 | 0 | 0 | 8 | 0 | 0 | 19 | 0 | 0 |
| Corporate & institutional | 72 | 0 | 0 | 236 | 3 | 3 | 242 | 6 | 5 |
| **Gross impaired loans without specific allowance** | **147** | **0** | **0** | **325** | **3** | **3** | **359** | **6** | **5** |
| **Gross impaired loans** | **1,633** | **9** | **9** | **1,772** | **13** | **11** | **2,023** | **18** | **13** |
| of which consumer | 605 | 3 | 3 | 651 | 5 | 4 | 697 | 4 | 1 |
| of which corporate & institutional | 1,028 | 6 | 6 | 1,121 | 8 | 7 | 1,326 | 14 | 12 |

### Allowance for specifically identified credit losses on impaired loans

The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. The Group performs an in-depth review and analysis of impaired loans considering factors such as recovery and exit options as well as collateral and counterparty risk. In general, all impaired loans are individually assessed. For consumer loans, the trigger to detect an impaired loan is non-payment of interest. Corporate & institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to Group recovery management, at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued at least quarterly to reflect passage of time. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

## 19 Premises and equipment

| end of | 2013 | 2012 |
|---|---|---|
| **Premises and equipment (CHF million)** | | |
| Buildings and improvements | 2,415 | 2,429 |
| Land | 491 | 501 |
| Leasehold improvements | 2,043 | 2,174 |
| Software | 5,740 | 5,324 |
| Equipment | 2,370 | 3,160 |
| **Premises and equipment** | **13,059** | **13,588** |
| Accumulated depreciation | (7,968) | (7,970) |
| **Total premises and equipment, net** | **5,091** | **5,618** |

### Depreciation and impairment

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **CHF million** | | | |
| Depreciation | 1,236 | 1,229 | 1,078 |
| Impairment | 65 | 17 | 87 |

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 64 million (CHF 56 million after tax).

## 20 Goodwill

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Private Banking & Wealth Management | Investment Banking | **Credit Suisse Group** | Private Banking & Wealth Management | Investment Banking | **Credit Suisse Group** |
| **Gross amount of goodwill (CHF million)** | | | | | | |
| **Balance at beginning of period** | **2,409** | **6,062** | **8,471** | **2,471** | **6,202** | **8,673** |
| Goodwill acquired during the year | 3 | 0 | 3 | 28 | 0 | 28 |
| Discontinued operations | (127) | 0 | (127) | 0 | 0 | 0 |
| Foreign currency translation impact | (73) | (141) | (214) | (54) | (138) | (192) |
| Other | (36) | (4) | (40) | (36) | (2) | (38) [1] |
| **Balance at end of period** | **2,176** | **5,917** | **8,093** | **2,409** | **6,062** | **8,471** |
| **Accumulated impairment (CHF million)** | | | | | | |
| **Balance at beginning of period** | **0** | **82** | **82** | **0** | **82** | **82** |
| Impairment losses | 12 | 0 | 12 | 0 | 0 | 0 |
| **Balance at end of period** | **12** | **82** | **94** | **0** | **82** | **82** |
| **Net book value (CHF million)** | | | | | | |
| **Net book value** | **2,164** | **5,835** | **7,999** | **2,409** | **5,980** | **8,389** |

[1] Includes tax benefit adjustments arising from the amortization of tax goodwill in connection with the purchase of the residual minority stake in Hedging-Griffo in 2012.

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event. As of December 31, 2013, the Group's market capitalization was above book value and as of December 31, 2012, the Group's market capitalization was below book value.

The carrying value of each reporting unit for purposes of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, cumulative translation adjustments, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis. Previously, the carrying value of each reporting unit was determined on the basis of the reporting units' allocated economic capital. The enhanced method of determining the carrying value of the reporting units reflects the current manner in which these businesses are managed as well as the regulatory capital constraints faced by each reporting unit. As of December 31, 2013, the goodwill was tested for impairment under both methods for determining the carrying value of each reporting unit.

In estimating the fair value of its reporting units the Group generally applied a market approach where consideration is given to price to projected earning multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries.

In determining the estimated fair value, the Group relied upon its three-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Based on its goodwill impairment analysis performed as of December 31, 2013, the Group concluded that the estimated fair value for three of the reporting units in the Private Banking & Wealth Management division substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2013. The fair value of Private Banking & Wealth Management's non-strategic reporting unit at the date of its creation in the fourth quarter of 2013 was lower than the estimated book value and as a result the Group recorded a CHF 12 million goodwill impairment charge.

There was also no impairment necessary for the Group's Investment Banking reporting unit as the estimated fair value substantially exceeded its carrying value. The Group engaged the services of an independent valuation specialist to assist in the valuation of the reporting unit as of December 31, 2013 using a combination of the market approach and income approach. Under the market approach, consideration is given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a sufficient margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

As a result of acquisitions, the Group has recorded goodwill as an asset in its consolidated balance sheets, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. During 2013, the Group announced an agreement to acquire Morgan Stanley's private wealth management businesses in EMEA, excluding Switzerland; there was a first closing in December 2013 that generated goodwill upon consolidation. The transaction is expected to be completed during the course of 2014. During 2012, the Group completed the acquisition of HSBC's private banking business in Japan that generated goodwill upon consolidation.

In 2013, the Group allocated CHF 127 million of goodwill to the discontinued operations. Goodwill was also negatively impacted by foreign exchange fluctuations in goodwill denominated in US dollars in 2013.

## 21 Other intangible assets

| | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross carrying amount | Accumulated amortization | **Net carrying amount** | Gross carrying amount | Accumulated amortization | **Net carrying amount** |
| **Other intangible assets (CHF million)** | | | | | | |
| Trade names/trademarks | 25 | (21) | 4 | 25 | (21) | 4 |
| Client relationships | 222 | (106) | 116 | 314 | (146) | 168 |
| Other | 7 | (1) | 6 | 8 | (2) | 6 |
| **Total amortizing other intangible assets** | **254** | **(128)** | **126** | **347** | **(169)** | **178** |
| Non-amortizing other intangible assets | 84 | – | 84 | 65 | – | 65 |
| of which mortgage servicing rights, at fair value | 42 | – | 42 | 43 | – | 43 |
| **Total other intangible assets** | **338** | **(128)** | **210** | **412** | **(169)** | **243** |

### Additional information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Aggregate amortization and impairment (CHF million)** | | | |
| Aggregate amortization | 24 | 28 | 30 |
| Impairment | 8 | 7 | 0 |
| of which related to discontinued operations | 7 | 0 | 0 |

### Estimated amortization

| | |
|---|---|
| **Estimated amortization (CHF million)** | |
| 2014 | 18 |
| 2015 | 18 |
| 2016 | 17 |
| 2017 | 17 |
| 2018 | 16 |

## 22 Other assets and other liabilities

| end of | 2013 | 2012 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 8,359 | 10,904 |
| Cash collateral on non-derivative transactions | 1,412 | 1,995 |
| Derivative instruments used for hedging | 2,062 | 3,930 |
| Assets held-for-sale | 19,306 | 20,343 |
| of which loans [1] | 18,914 | 19,894 |
| of which real estate | 392 | 442 |
| Assets held for separate accounts | 11,236 | 13,414 |
| Interest and fees receivable | 4,859 | 5,861 |
| Deferred tax assets | 6,185 | 7,102 |
| Prepaid expenses | 552 | 538 |
| Failed purchases | 2,365 | 2,699 |
| Other | 6,729 | 6,126 |
| **Other assets** | **63,065** | **72,912** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 11,663 | 12,224 |
| Cash collateral on non-derivative transactions | 955 | 1,246 |
| Derivative instruments used for hedging | 384 | 1,182 |
| Provisions [2] | 2,641 | 1,362 |
| of which off-balance sheet risk | 60 | 60 |
| Liabilities held for separate accounts | 11,236 | 13,414 |
| Interest and fees payable | 5,641 | 6,752 |
| Current tax liabilities | 864 | 863 |
| Deferred tax liabilities | 394 | 130 |
| Failed sales | 2,396 | 4,336 |
| Other | 15,273 | 16,128 |
| **Other liabilities** | **51,447** | **57,637** |

[1] Included as of December 31, 2013 and 2012 were CHF 1,778 million and CHF 3,730 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 769 million and CHF 922 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.
[2] Includes provisions for bridge commitments.

## 23 Deposits

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Switzer-land | Foreign | **Total** | Switzer-land | Foreign | **Total** |
| **Deposits (CHF million)** | | | | | | |
| Non-interest-bearing demand deposits | 4,738 | 4,335 | 9,073 | 8,282 | 4,521 | 12,803 |
| Interest-bearing demand deposits | 141,078 | 26,294 | 167,372 | 132,393 | 24,976 | 157,369 |
| Savings deposits | 63,583 | 26 | 63,609 | 60,103 | 44 | 60,147 |
| Time deposits | 15,358 | 100,785 | 116,143 [1] | 10,786 | 98,221 | 109,007 [1] |
| **Total deposits** | **224,757** | **131,440** | **356,197** [2] | **211,564** | **127,762** | **339,326** [2] |
| of which due to banks | – | – | 23,108 | – | – | 31,014 |
| of which customer deposits | – | – | 333,089 | – | – | 308,312 |

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

[1] Included CHF 116,106 million and CHF 108,887 million as of December 31, 2013 and 2012, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

[2] Not included as of December 31, 2013 and 2012 were CHF 18 million and CHF 67 million, respectively, of overdrawn deposits reclassified as loans.

## 24 Long-term debt

| end of | **2013** | 2012 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 96,048 | 115,861 |
| Subordinated | 21,002 | 17,741 |
| Non-recourse liabilities from consolidated VIEs | 12,992 | 14,532 |
| **Long-term debt** | **130,042** | **148,134** |
| of which reported at fair value | 63,369 | 65,384 |
| of which structured notes | 34,815 | 36,637 |

### Structured notes by product

| end of | **2013** | 2012 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 23,313 | 23,761 |
| Fixed income | 5,573 | 6,559 |
| Emerging markets [1] | 1,766 | 3,304 |
| Credit | 3,453 | 1,893 |
| Other | 710 | 1,120 |
| **Total structured notes** | **34,815** | **36,637** |

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

Total long-term debt is comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign exchange denominated fixed and variable rate bonds.

The interest rate ranges presented in the table below are based on the contractual terms of the Group's vanilla debt. Interest rate ranges for future coupon payments on structured products for which fair value has been elected are not included in the table below as these coupons are dependent upon the embedded derivative and prevailing market conditions at the time each coupon is paid. In addition, the effects of derivatives used for hedging are not included in the interest rate ranges on the associated debt.

### Long-term debt by maturities

| end of | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| **Group parent company (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 0 | 0 | 0 | 0 | 0 | 366 | 366 |
| Interest rate (in %) [1] | – | – | – | – | – | 7.3 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 0 | 29 | 0 | 0 | 290 | 2,099 | 2,418 |
| Interest rates (in %) [1] | – | 8.5 | – | – | 6.0 | 7.5 | – |
| **Subtotal – Group parent company** | 0 | 29 | 0 | 0 | 290 | 2,465 | 2,784 |
| **Subsidiaries (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 9,979 | 13,935 | 3,622 | 9,006 | 2,462 | 12,910 | 51,914 |
| Variable rate | 10,559 | 9,544 | 6,221 | 4,718 | 4,981 | 7,745 | 43,768 |
| Interest rates (range in %) [1] | 0.0–13.1 | 0.0–12.6 | 0.3–10.7 | 0.1–5.1 | 0.4–3.8 | 0.0–8.2 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 154 | 431 | 1,780 | 907 | 9,218 | 5,824 | 18,314 |
| Variable rate | 52 | 19 | 0 | 45 | 0 | 154 | 270 |
| Interest rates (range in %) [1] | 0.5–9.3 | 2.5–10.3 | 8.2 | 0.9–7.3 | 0.1–13.3 | 0.1–8.5 | – |
| **Non-recourse liabilities from consolidated VIEs** | | | | | | | |
| Fixed rate | 0 | 745 | 304 | 14 | 0 | 111 | 1,174 |
| Variable rate | 370 | 164 | 469 | 15 | 0 | 10,800 | 11,818 |
| Interest rates (range in %) [1] | 0.2–13.2 | 0.0–3.6 | 0.0–12.8 | 1.9–4.0 | – | 0.0–10.8 | – |
| **Subtotal – Subsidiaries** | 21,114 | 24,838 | 12,396 | 14,705 | 16,661 | 37,544 | 127,258 |
| **Total long-term debt** | 21,114 | 24,867 | 12,396 | 14,705 | 16,951 | 40,009 | 130,042 |
| of which structured notes | 8,220 | 6,843 | 5,585 | 2,820 | 4,760 | 6,587 | 34,815 |

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

The Group and the Bank maintain a shelf registration statement with the US Securities and Exchange Commission (SEC), which allows them to issue, from time to time, senior and subordinated debt securities, warrants and related guarantees. The shelf registration statement also allows certain subsidiaries of the Group to issue exchangeable or convertible debt securities which are guaranteed by the Group and are exchangeable or convertible into ordinary shares of the Group.

▸ Refer to "Note 40 – Subsidiary guarantee information" for further information on the subsidiary guarantees.

The Group maintains a euro medium-term note program that allows it, certain finance subsidiaries (guaranteed by the Group) and the Bank to issue senior debt securities notes.

Credit Suisse Group Finance (Guernsey) Limited, a finance subsidiary of the Group, maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities, guaranteed by the Group.

## 25 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumu-lated other compre-hensive income** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | 6 | (991) | (27) | 750 | 0 | (262) |
| Increase/(decrease) due to equity method investments | 13 | 0 | 0 | 0 | 0 | 13 |
| Reclassification adjustments, included in net income | (1) | 84 | (5) | 294 | (95) | 277 |
| Total increase/(decrease) | 18 | (907) | (32) | 1,044 | (95) | 28 |
| **Balance at end of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| **2012 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(66)** | **(11,778)** | **99** | **(3,751)** | **362** | **(15,134)** |
| Increase/(decrease) | 7 | (1,040) | 227 | (291) | 319 | (778) |
| Increase/(decrease) due to equity method investments | 30 | 0 | 0 | 0 | 0 | 30 |
| Reclassification adjustments, included in net income | 0 | 51 | (242) | 241 | (71) | (21) |
| Total increase/(decrease) | 37 | (989) | (15) | (50) | 248 | (769) |
| **Balance at end of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| **2011 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(33)** | **(11,470)** | **117** | **(3,136)** | **(33)** | **(14,555)** |
| Increase/(decrease) | (5) | (324) | 6 | (720) | 383 | (660) |
| Increase/(decrease) due to equity method investments | (1) | 0 | 0 | 0 | 0 | (1) |
| Reclassification adjustments, included in net income | (27) | 16 | (24) | 105 | 12 | 82 |
| Total increase/(decrease) | (33) | (308) | (18) | (615) | 395 | (579) |
| **Balance at end of period** | **(66)** | **(11,778)** | **99** | **(3,751)** | **362** | **(15,134)** |

Refer to "Note 27 – Tax" and "Note 30 – Pension and other post-retirement benefit" for income tax expense/(benefit) on the movements of accumulated other comprehensive income.

### Details of significant reclassification adjustments

| in | **2013** |
|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | |
| **Cumulative translation adjustments** | |
| Sale of subsidiaries [1] | **84** |
| **Actuarial gains/(losses)** | |
| Amortization of recognized actuarial losses [2] | 390 |
| Tax expense/(benefit) | (96) |
| Net of tax | **294** |
| **Net prior service credit/(cost)** | |
| Amortization of recognized prior service credit/(cost) [2] | (120) |
| Tax expense/(benefit) | 25 |
| Net of tax | **(95)** |

[1] Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total benefit costs. Refer to "Note 30 – Pension and other post-retirement benefits" for further information.

### Additional share information

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Common shares issued** | | | |
| **Balance at beginning of period** | **1,320,829,922** | **1,224,333,062** | **1,186,174,442** |
| Issuance of common shares | 275,289,427 | 96,496,860 | 38,158,620 |
| of which MACCS settlement | 199,964,015 | 0 | 0 |
| of which share-based compensation | 37,773,125 | 38,812,660 | 21,664,747 |
| **Balance at end of period** | **1,596,119,349** | **1,320,829,922** | **1,224,333,062** |
| **Treasury shares** | | | |
| **Balance at beginning of period** | **(27,036,831)** | **(4,010,074)** | **(12,228,377)** |
| Sale of treasury shares | 401,126,114 | 394,686,376 | 367,978,216 |
| of which MACCS settlement | 33,488,655 | 0 | 0 |
| Repurchase of treasury shares | (385,369,391) | (423,704,092) | (366,790,491) |
| Share-based compensation | 6,096,954 | 5,990,959 | 7,030,578 |
| **Balance at end of period** | **(5,183,154)** | **(27,036,831)** | **(4,010,074)** |
| **Common shares outstanding** | | | |
| **Balance at end of period** | **1,590,936,195** [1] | **1,293,793,091** [2] | **1,220,322,988** |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,049,598 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.
[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 771,499,654 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 732,326,910 of these shares were reserved for capital instruments (including MACCS).

### MACCS settlement

On April 8, 2013, the Group settled and delivered 233,452,670 Group shares in connection with the conversion of CHF 3.8 billion of the mandatory and contingent convertible securities (MACCS). The shares consisted of 199,964,015 newly issued shares and 33,488,655 treasury shares. The settlement of the MACCS with registered shares utilizing authorized capital decreased debt liabilities and increased shareholders' equity.

## 26 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

### Offsetting of derivatives

| | 2013 | | 2012 | |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 265.4 | 262.1 | 365.3 | 365.5 |
| OTC | 183.0 | 178.1 | 337.6 | 327.9 |
| Exchange-traded | 0.3 | 0.0 | 0.3 | 0.2 |
| **Interest rate products** | **448.7** | **440.2** | **703.2** | **693.6** |
| OTC | 58.5 | 68.2 | 60.5 | 73.2 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Foreign exchange products** | **58.6** | **68.4** | **60.5** | **73.2** |
| OTC | 15.5 | 18.6 | 12.7 | 15.2 |
| Exchange-traded | 14.8 | 15.1 | 13.7 | 14.1 |
| **Equity/index-related products** | **30.3** | **33.7** | **26.4** | **29.3** |
| OTC-cleared | 5.2 | 5.1 | 3.0 | 2.7 |
| OTC | 20.8 | 21.2 | 27.1 | 26.8 |
| **Credit derivatives** | **26.0** | **26.3** | **30.1** | **29.5** |
| OTC | 4.4 | 4.0 | 5.8 | 5.6 |
| Exchange-traded | 0.5 | 0.8 | 1.5 | 1.7 |
| **Other products** | **4.9** | **4.8** | **7.3** | **7.3** |
| OTC-cleared | 270.6 | 267.2 | 368.3 | 368.2 |
| OTC | 282.2 | 290.1 | 443.7 | 448.7 |
| Exchange-traded | 15.7 | 16.1 | 15.5 | 16.0 |
| **Total gross derivatives subject to enforceable master netting agreements** | **568.5** | **573.4** | **827.5** | **832.9** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (269.1) | (267.0) | (367.2) | (367.5) |
| OTC | (260.7) | (265.7) | (418.7) | (421.8) |
| Exchange-traded | (15.1) | (15.1) | (14.3) | (14.2) |
| **Offsetting** | **(544.9)** | **(547.8)** | **(800.2)** | **(803.5)** |
| of which counterparty netting | (523.9) | (523.9) | (766.8) | (766.8) |
| of which cash collateral netting | (21.0) | (23.9) | (33.4) | (36.7) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 1.5 | 0.2 | 1.1 | 0.7 |
| OTC | 21.5 | 24.4 | 25.0 | 26.9 |
| Exchange-traded | 0.6 | 1.0 | 1.2 | 1.8 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.6** | **25.6** | **27.3** | **29.4** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **10.1** | **11.3** | **9.8** | **11.3** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.7** | **36.9** | **37.1** | **40.7** |
| of which recorded in trading assets and trading liabilities | 31.6 | 36.5 | 33.2 | 39.5 |
| of which recorded in other assets and other liabilities | 2.1 | 0.4 | 3.9 | 1.2 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

#### Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2013 and December 31, 2012. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 112.0 | (25.1) | 86.9 | 141.4 | (41.1) | 100.3 |
| Securities borrowing transactions | 22.7 | (1.7) | 21.0 | 20.9 | (2.0) | 18.9 |
| **Total subject to enforceable master netting agreements** | **134.7** | **(26.8)** | **107.9** | **162.3** | **(43.1)** | **119.2** |
| **Total not subject to enforceable master netting agreements** [1] | **52.1** | **–** | **52.1** | **64.3** | **–** | **64.3** |
| **Total** | **186.8** | **(26.8)** | **160.0** [2] | **226.6** | **(43.1)** | **183.5** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 96,587 million and CHF 113,664 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

**Offsetting of securities sold under repurchase agreements and securities lending transactions**

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 86.5 | (26.8) | 59.7 | 99.7 | (43.1) | 56.6 |
| Securities lending transactions | 6.6 | 0.0 | 6.6 | 10.8 | 0.0 | 10.8 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 0.0 | 18.5 | 25.9 | 0.0 | 25.9 |
| **Total subject to enforceable master netting agreements** | **111.6** | **(26.8)** | **84.8** | **136.4** | **(43.1)** | **93.3** |
| **Total not subject to enforceable master netting agreements** [1] | **32.0** | **–** | **32.0** | **69.5** | **–** | **69.5** |
| **Total** | **143.6** | **(26.8)** | **116.8** | **205.9** | **(43.1)** | **162.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.8 | (26.8) | 94.0 [2] | 175.8 | (43.1) | 132.7 [2] |
| of which obligation to return securities received as collateral, at fair value | 22.8 | 0.0 | 22.8 | 30.1 | 0.0 | 30.1 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 76,104 million and CHF 108,784 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the consolidated balance sheets

| | | | | **2013** | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.6 | 4.9 | 0.1 | 18.6 | 27.3 | 5.8 | 0.0 | 21.5 |
| Securities purchased under resale agreements | 86.9 | 86.9 | 0.0 | 0.0 | 100.3 | 100.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 21.0 | 20.2 | 0.0 | 0.8 | 18.9 | 17.4 | 0.0 | 1.5 |
| **Total financial assets subject to enforceable master netting agreements** | **131.5** | **112.0** | **0.1** | **19.4** | **146.5** | **123.5** | **0.0** | **23.0** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 25.6 | 9.9 | 0.0 | 15.7 | 29.4 | 10.8 | 0.0 | 18.6 |
| Securities sold under repurchase agreements | 59.7 | 59.7 | 0.0 | 0.0 | 56.6 | 56.4 | 0.2 | 0.0 |
| Securities lending transactions | 6.6 | 6.2 | 0.0 | 0.4 | 10.8 | 10.2 | 0.0 | 0.6 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 17.5 | 0.0 | 1.0 | 25.9 | 24.2 | 0.0 | 1.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **110.4** | **93.3** | **0.0** | **17.1** | **122.7** | **101.6** | **0.2** | **20.9** |

1 The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative for the Group's counterparty exposure.

## 27 Tax

### Details of current and deferred taxes

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Current and deferred taxes (CHF million)** | | | |
| Switzerland | 12 | 140 | 38 |
| Foreign | 569 | 580 | 448 |
| **Current income tax expense** | **581** | **720** | **486** |
| Switzerland | 22 | (123) | (176) |
| Foreign | 673 | (132) | 346 |
| **Deferred income tax expense/(benefit)** | **695** | **(255)** | **170** |
| **Income tax expense** | **1,276** | **465** | **656** |
| Income tax expense/(benefit) on discontinued operations | 75 | 31 | 15 |
| Income tax expense/(benefit) reported in shareholders' equity related to: | | | |
| Gains/(losses) on cash flow hedges | 1 | 0 | (4) |
| Cumulative translation adjustment | 44 | (12) | 16 |
| Unrealized gains/(losses) on securities | (12) | 6 | 12 |
| Actuarial gains/(losses) | 388 | 1 | (172) |
| Net prior service credit/(cost) | (25) | 63 | 105 |
| Share-based compensation and treasury shares | 0 | (50) | 256 |

### Reconciliation of taxes computed at the Swiss statutory rate

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Income from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 642 | 1,680 | 455 |
| Foreign | 3,454 | 510 | 3,016 |
| **Income from continuing operations before taxes** | **4,096** | **2,190** | **3,471** |
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | | | |
| Income tax expense computed at the statutory tax rate of 22% | 901 | 482 | 764 |
| Increase/(decrease) in income taxes resulting from | | | |
| Foreign tax rate differential | 189 | 242 | (58) |
| Non-deductible amortization of other intangible assets and goodwill impairment | 25 | 2 | 0 |
| Other non-deductible expenses | 492 | 393 | 447 |
| Additional taxable income | 2 | 11 | 8 |
| Lower taxed income | (381) | (422) | (424) |
| Income taxable to noncontrolling interests | (252) | (117) | (289) |
| Changes in tax law and rates | 184 | 182 | 172 |
| Changes in deferred tax valuation allowance | 385 | 13 | 471 |
| Tax deductible impairments of Swiss subsidiary investments | (268) | (161) | (55) |
| Other | (1) | (160) | (380) |
| **Income tax expense** | **1,276** | **465** | **656** |

**2013**

**Foreign tax rate differential** of CHF 189 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,242 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 492 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 381 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

**Changes in tax law and rates** of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 385 million included the impact of the increase of valuation allowances of CHF 249 million mainly in respect of four of the Group's operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Group's operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets mainly for two of the Group's operating entities, one in Japan and one in the UK.

**Other** of CHF 1 million included a tax benefit of CHF 57 million relating to the current year's earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Group's US entities, offset by a tax expense of CHF 44 million relating to the increase of tax contingency accruals and a tax expense of CHF 56 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

**2012**

**Foreign tax rate differential** of CHF 242 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 448 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 393 million included non-deductible interest expenses of CHF 259 million, non-taxable offshore expenses of CHF 8 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 422 million included a Swiss income tax benefit of CHF 114 million as a result of foreign branch earnings beneficially impacting the earnings mix. In addition, 2012 included a tax benefit of CHF 48 million related to non-taxable life insurance income, CHF 29 million related to exempt offshore income, CHF 40 million in respect of non-taxable dividend income, CHF 11 million related to non-taxable foreign exchange gains and CHF 100 million related to tax credits. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 182 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 13 million included an increase to the valuation allowance of CHF 834 million in respect of five of the Group's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. Additionally, 2012 included a tax benefit of CHF 820 million resulting from the release of valuation allowances on deferred tax assets for one of the Group's operating entities in the US.

**Other** of CHF 160 million included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. Also included was a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement and CHF 40 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

**2011**

**Foreign tax rate differential** of CHF 58 million reflected a foreign tax rate benefit in respect of profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas, partially offset by foreign tax rate differential related to profits earned in higher tax jurisdictions, mainly Brazil and the US. The foreign tax rate benefit in relation to foreign tax expense of CHF 794 million was more than offset by tax impacts related to reconciling items explained below.

**Other non-deductible expenses** of CHF 447 million included non-deductible interest expenses of CHF 240 million, non-taxable offshore expenses of CHF 80 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 49 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 424 million included a tax benefit of CHF 40 million related to non-taxable life insurance income, CHF 52 million related to exempt offshore income, CHF 47 million in respect of non-taxable dividend income and CHF 47 million related to non-taxable foreign exchange gains. In addition, 2011 included tax benefits of CHF 42 million related to tax credits and CHF 116 million in respect of the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 172 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 471 million included an increase to the valuation allowance of CHF 428 million in respect of three of the Group's operating entities, two in the UK and one in Asia, mainly relating to deferred tax assets on tax loss carry-forwards. Additionally, 2011 included a tax benefit of CHF 7 million resulting from the release of valuation allowances on deferred tax assets for one of the Group's operating entities in the US.

**Other** of CHF 380 million included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Group's operating entities, one in Switzerland (CHF 129 million) and one in the US (CHF 132 million). The increase is related to the re-measurement of existing deferred tax assets on net operating losses due to changes in the mix of the sources of income and related tax rates that these net operating losses are expected to be applied to. Also included was an amount of CHF 123 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2013, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 6.1 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

### Details of the tax effect of temporary differences

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Tax effect of temporary differences (CHF million)** | | |
| Compensation and benefits | 2,113 | 2,295 |
| Loans | 363 | 441 |
| Investment securities | 1,651 | 1,805 |
| Provisions | 1,874 | 1,760 |
| Derivatives | 143 | 355 |
| Real estate | 240 | 243 |
| Net operating loss carry-forwards | 4,433 | 5,181 |
| Other | 189 | 207 |
| **Gross deferred tax assets before valuation allowance** | **11,006** | **12,287** |
| Less valuation allowance | (2,705) | (2,554) |
| **Gross deferred tax assets net of valuation allowance** | **8,301** | **9,733** |
| Compensation and benefits | (422) | (174) |
| Loans | (109) | (162) |
| Investment securities | (1,099) | (1,373) |
| Provisions | (397) | (402) |
| Business combinations | 0 | (20) |
| Derivatives | (193) | (295) |
| Leasing | (53) | (40) |
| Real estate | (76) | (78) |
| Other | (161) | (217) |
| **Gross deferred tax liabilities** | **(2,510)** | **(2,761)** |
| **Net deferred tax assets** | **5,791** | **6,972** |

The decrease in net deferred tax assets from 2012 to 2013 of CHF 1,181 million was primarily due to the impact of taxable income in 2013 decreasing deferred tax assets by CHF 439 million and the recognition of a valuation allowance against deferred tax assets, mainly in the UK, of CHF 278 million. In addition, the decrease reflected a write-down of deferred tax assets of CHF 184 million as a result of changes to corporation tax rates in the UK, the tax impacts directly recorded in equity, mainly related to share-based compensation and pension plan re-measurement of CHF 305 million, and foreign exchange translation losses of CHF 182 million, which are included within the currency translation adjustments recorded in AOCI. These decreases were partially offset by an increase in net deferred tax asset balances following a re-measurement of deferred tax balances in Switzerland and the release of valuation allowances in Japan and the UK of CHF 207 million.

The most significant net deferred tax assets arise in the US and UK and these decreased from CHF 6,007 million, net of a valuation allowance of CHF 1,454 million as of the end of 2012, to CHF 5,132 million, net of a valuation allowance of CHF 1,536 million as of the end of 2013.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Group recorded a valuation allowance against deferred tax assets in the amount of CHF 2.7 billion as of December 31, 2013 compared to CHF 2.6 billion as of December 31, 2012.

### Amounts and expiration dates of net operating loss carry-forwards

| end of 2013 | Total |
|---|---|
| **Net operating loss carry-forwards (CHF million)** | |
| Due to expire within 1 year | 46 |
| Due to expire within 2 to 5 years | 10,197 |
| Due to expire within 6 to 10 years | 1,158 |
| Due to expire within 11 to 20 years | 1,375 |
| **Amount due to expire** | **12,776** |
| Amount not due to expire | 13,008 |
| **Total net operating loss carry-forwards** | **25,784** |

### Movements in the valuation allowance

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in the valuation allowance (CHF million)** | | | |
| **Balance at beginning of period** | **2,554** | **2,690** | **2,264** |
| Net changes | 151 | (136) | 426 |
| **Balance at end of period** | **2,705** | **2,554** | **2,690** |

As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation is dependent on management estimates and assumptions in developing the expected future results, which are based on a strategic business planning process influenced by current economic conditions and assumptions of future economic conditions that are subject to change. This evaluation took into account both positive and negative evidence related to expected future taxable income, the Group's commitment to the integrated bank model and the importance of the Investment Banking segment within the integrated bank, as well as the changes announced in 2012 and the reduction in risk since 2008. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant net deferred tax assets, such as the US, the UK and Switzerland. The Group has then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allows for a 20-year carry-forward period for net operating losses, UK tax law allows for an unlimited carry-forward period for net operating losses and Swiss tax law allows for a seven-year carry-forward period for net operating losses.

### Tax benefits associated with share-based compensation

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Tax benefits associated with share-based compensation (CHF million)** | | | |
| Tax benefits recorded in the consolidated statements of operations | 483 | 597 | 466 |
| Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital | (24) | 41 | (280) |
| Tax benefits in respect of tax on dividend equivalent payments | 22 | 12 | 2 |

▸ Refer to "Note 28 – Employee deferred compensation" for further information on share-based compensation.

If, upon settlement of share-based compensation, the tax deduction exceeds the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the utilized tax benefit associated with any excess deduction is considered a "windfall" and recognized in shareholders' equity as additional paid-in capital and reflected as a financing cash inflow in the consolidated statements of cash flows. If, upon settlement the tax deduction is lower than the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the tax charge associated with the lower deduction is considered a "shortfall". Tax charges arising on shortfalls are recognized in shareholders' equity to the extent that any shortfalls are lower than the cumulative windfalls, otherwise the tax charge is recognized in the consolidated statements of operations. However, windfall deductions and dividend equivalents aggregating CHF 0.9 billion and CHF 0.9 billion for 2013 and 2012, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 170 million tax benefit will be recorded in additional paid-in capital.

#### Uncertain tax positions

US GAAP requires a two-step process in evaluating uncertain income tax positions. In the first step, an enterprise determines whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each income tax position is measured at the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement.

### Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in gross unrecognized tax benefits (CHF million)** | | | |
| **Balance at beginning of period** | **420** | **373** | **578** |
| Increases in unrecognized tax benefits as a result of tax positions taken during a prior period | 4 | 33 | 54 |
| Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period | (8) | (58) | (177) |
| Increases in unrecognized tax benefits as a result of tax positions taken during the current period | 46 | 39 | 30 |
| Decreases in unrecognized tax benefits relating to settlements with tax authorities | 0 | (4) | (65) |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations | (5) | (43) | (19) |
| Other (including foreign currency translation) | (34) | 80 | (28) |
| **Balance at end of period** | **423** | **420** | **373** |
| of which, if recognized, would affect the effective tax rate | 417 | 414 | 366 |

### Interest and penalties

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Interest and penalties (CHF million)** | | | |
| Interest and penalties recognized in the consolidated statements of operations | 7 | (13) | (19) |
| Interest and penalties recognized in the consolidated balance sheets | 69 | 69 | 86 |

Interest and penalties are reported as tax expense. The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 72 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; Brazil – 2008; Japan – 2008; the UK – 2006; the US – 2006; and the Netherlands – 2005.

## 28 Employee deferred compensation

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Group. It is the Group's policy not to make multi-year guarantees.

Compensation expense recognized in the consolidated statement of operations for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain cash awards that are still outstanding.

The following tables show the compensation expense for deferred compensation awards granted in 2013 and prior years that was recognized in the consolidated statements of operations during 2013, 2012, and 2011, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2013 and prior years outstanding as of December 31, 2013 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in January 2014 began in 2014 and thus had no impact on the 2013 consolidated financial statements.

### Deferred compensation expense

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 814 | 786 | 767 |
| Performance share awards | 590 | 366 | 0 |
| Plus Bond awards [1] | 37 | – | – |
| 2011 Partner Asset Facility awards [2] | 77 | 677 | 0 |
| Adjustable Performance Plan share awards | 31 | 74 | 0 |
| Adjustable Performance Plan cash awards | 4 | 286 | 1,106 |
| Restricted Cash Awards | 145 | 165 | 253 |
| Scaled Incentive Share Units | 41 | 97 | 415 |
| Incentive Share Units [3] | (3) | 62 | 174 |
| 2008 Partner Asset Facility awards [2] | 93 | 173 | 3 |
| Other cash awards | 434 | 362 | 334 |
| Discontinued operations | (21) | (23) | (21) |
| **Total deferred compensation expense** | **2,242** | **3,025** | **3,031** |
| **Total shares delivered (million)** | | | |
| Total shares delivered | 33.7 | 31.6 | 24.2 |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.
[3] Includes forfeitures.

### Estimated unrecognized deferred compensation

| end of | **2013** |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 804 |
| Performance share awards | 221 |
| Plus Bond awards | 18 |
| Adjustable Performance Plan share awards | 11 |
| Adjustable Performance Plan cash awards | 13 |
| Restricted Cash Awards | 136 |
| Other cash awards | 111 |
| **Total** | **1,314** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

Does not include the estimated unrecognized compensation expense relating to grants made in 2014 for 2013.

### Share awards

Share awards granted in January 2014 are similar to those granted in January 2013 and are granted to employees with total compensation above CHF/USD 250,000 or the local currency equivalent. Each share award granted entitles the holder of the award to receive one Group share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of the share awards is solely dependent on the Group share price at the time of delivery.

The Group's share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share, are subject to continued employment with the Group, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On January 16, 2014, the Group granted 30.2 million share awards with a total value of CHF 827 million. The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the twelve business days ended January 15, 2014. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value of each share award was CHF 28.13 on the grant date. The fair value was based on a valuation using the Group share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively. The estimated unrecognized compensation expense of CHF 823 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules. On January 17, 2013 and January 19, 2012, the Group granted 37.9 million and 20.0 million share awards with a total value of CHF 950 million and CHF 438 million, and a fair value of each share award granted of CHF 26.44 and CHF 23.90, respectively, equivalent to the Group's closing share price on the grant date.

In order to comply with regulatory requirements, the Group awarded an alternative form of share awards as a component of unrestricted cash to senior employees in a number of EU countries. For 2013, 2012 and 2011, these employees received 50% of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. On January 16, 2014, the Group granted 0.6 million blocked shares with a total value of CHF 18 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2013. On January 17, 2013 and January 19, 2012, the Group granted 0.2 million and 0.5 million blocked shares with a total value of CHF 6 million and CHF 11 million, respectively.

### Share award activities

| | **2013** | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF |
| **Share awards** | | | | | | |
| **Balance at beginning of period** | **55.8** | **34.28** | **48.1** | **41.91** | **17.3** | **43.86** |
| Granted | 40.4 | 26.43 | 25.1 | 23.44 | 40.5 | 41.08 |
| Settled | (20.0) | 34.09 | (14.9) | 40.20 | (7.6) | 43.32 |
| Forfeited | (3.3) | 31.80 | (2.5) | 37.36 | (2.1) | 43.39 |
| **Balance at end of period** | **72.9** | **30.09** | **55.8** | **34.28** | **48.1** | **41.91** |
| of which vested | 5.8 | – | 3.9 | – | 1.8 | – |
| of which unvested | 67.1 | – | 51.9 | – | 46.3 | – |

**Performance share awards**

Members of the Executive Board, managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related clawback provisions. Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the share awards, outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on a negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative ROE and is not linked to the performance of the divisions.

The performance share awards granted in 2014 are identical to those granted in 2013 and 2012, with the exception of the performance criteria which, in 2012, were based on reported ROE, compared to the performance share awards granted in 2014 and 2013, which are based on underlying ROE. Performance share awards are granted to employees with total compensation above CHF/USD 250,000 or the local currency equivalent

On January 16, 2014, the Group granted 24.2 million performance share awards with a total value of CHF 663 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the twelve business days ended January 15, 2014. The fair value of each performance share award was CHF 28.13 on the grant date. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value was based on a valuation using the Group share price on the date of grant and discounted for expected dividends for 2014, 2015 and 2016 of CHF 0.74, CHF 0.94 and CHF 1.13, respectively. The estimated unrecognized compensation expense of CHF 660 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period. On January 17, 2013 and January 19, 2012, the Group granted 26.4 million and 23.5 million performance share awards with a total value of CHF 660 million and CHF 516 million and a fair value of each performance share award granted of CHF 26.44 and CHF 23.90, respectively, equivalent to the Group's closing share price on the grant date.

**Performance Share award activities**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF |
| **Performance share awards** | | | | |
| **Balance at beginning of period** | **23.3** | **23.90** | **–** | **–** |
| Granted | 26.6 | 26.44 | 23.7 | 23.90 |
| Settled | (7.6) | 23.90 | 0.0 | 0.00 |
| Forfeited | (0.9) | 24.92 | (0.4) | 23.90 |
| **Balance at end of period** | **41.4** | **25.51** | **23.3** | **23.90** |
| of which vested | 2.7 | – | 0.9 | – |
| of which unvested | 38.7 | – | 22.4 | – |

**Contingent Capital Awards**

CCA are a new form of award granted in January 2014 as part of 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. They are granted to employees with compensation above CHF/USD 250,000. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards, respectively, until settled. Employees who received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

On January 16, 2014, the Group awarded CHF 391 million of CCA that will be expensed over the three-year period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors. The estimated unrecognized compensation expense of CHF 433 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria, estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of the Group, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The Group will determine that fair value at its discretion. The Group intends to grant CCA as one of its annual deferred variable compensation awards in future years

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

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

**Plus Bond awards**

Managing directors and directors in the Investment Banking division received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by the Group of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of the Investment Banking division. While the Plus Bond award is a cash-based instrument, the Group reserves the right to settle the award in Group shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, the Group retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes on capital treatment, exchange the award into Group shares. The Plus Bond award plan contributes to a reduction of the Group's risk-weighted assets and constitutes a risk transfer from the Group to the Plus Bond award holders.

The Plus Bonds provided to Investment Banking employees had a fair value of CHF 187 million and were fully vested and expensed on the grant date of December 31, 2012.

Managing directors and directors outside of the Investment Banking division were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation offer had a notional value of CHF 38 million, will vest on the third anniversary of the grant date in January 17, 2016 and will be expensed over the vesting period.

**Restricted Cash Awards**

Managing directors and directors in the Investment Banking division received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Group even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Group granted Restricted Cash Awards with a total value of CHF 299 million.

**2011 Partner Asset Facility**

As part of the 2011 annual compensation process, the Group awarded a portion of their deferred variable compensation for senior employees in the form of PAF2 units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from the Group to employees.

Employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. The PAF2 awards vested in the first quarter of 2012.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either the Group or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in Swiss francs and US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% (Swiss franc-denominated awards) or 6.5% (US dollar-denominated awards) applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. The Group can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

In January 2012, the Group awarded PAF2 units with a fair value of CHF 499 million and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility: participants elect for their award to be referenced to a Capital Opportunity Facility (COF). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in February 2016, subject to regulatory approvals.

In March 2014, 5,084 employees converted their PAF2 holdings of CHF 684 million into CCA (CHF 516 million) and COF (CHF 168 million).

### Adjustable Performance Plan awards

The Adjustable Performance Plan is a deferred compensation plan for the Executive Board, managing directors and directors. The Group introduced and granted Adjustable Performance Plan cash awards as part of deferred compensation for 2009 (2009 Adjustable Performance Plan) and 2010 (2010 Adjustable Performance Plan).

The 2009 Adjustable Performance Plan cash awards were fully vested and expensed as of December 31, 2012 and were delivered in the first half of 2013.

The 2010 Adjustable Performance Plan cash awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the Group ROE. The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative ROE applies for that year and is greater than the divisional adjustment. For employees in Shared Services and other support functions, as well as for all Executive Board members, all outstanding 2010 Adjustable Performance Plan cash awards are linked to the Group's adjusted profit or loss and the Group ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support.

In July 2012, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Adjustable Performance Plan holders elected to convert CHF 498 million of their Adjustable Performance Plan cash awards into the new Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%. Each Adjustable Performance Plan share award had a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Upon conversion, CHF 453 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards was reclassified to total shareholders' equity.

### Adjustable Performance Plan share award activities

| | **2013** | 2012 |
|---|---|---|
| | Number of APP share awards in million | Number of APP share awards in million |
| **Adjustable Performance Plan share awards** | | |
| **Balance at beginning of period** | **30.8** | – |
| Granted | 1.2 [1] | 31.0 |
| Settled | (17.2) | 0.0 |
| Forfeited | (0.3) | (0.2) |
| **Balance at end of period** | **14.5** | **30.8** |
| of which vested | 1.2 | 0.3 |
| of which unvested | 13.3 | 30.5 |

[1] Represents additional units earned in the first quarter of 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

### Scaled Incentive Share Unit

The Scaled Incentive Share Unit (SISU) plan is a share-based, long-term incentive plan for managing directors and directors. SISUs were granted in January 2010 as part of the 2009 deferred compensation. SISUs are similar to Incentive Share Units (ISUs) (refer to Incentive Share Unit below) except with a four-year vesting period, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The SISU base unit vests equally on each of the four anniversaries of the grant date, whereas the SISU leverage unit will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to an average of the reported ROE. If the average ROE over the four-year vesting period is higher than a pre-set target established as of the grant date, the number of additional shares calculated by reference to the average Group share price increase will be adjusted positively, and if it is below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year vesting period will be determined first on the basis of the Group share price development (share price multiplier) and then on the basis of the average ROE development (ROE multiplier). Group shares are delivered shortly after the SISU base component and SISU leverage component vest.

The number of additional shares per SISU was capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5.

**Scaled Incentive Share Unit activities**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **SISU awards (million)** | | | |
| **Balance at beginning of period** | **9.6** | **14.7** | **20.4** |
| Settled | (4.8) | (4.9) | (5.1) |
| Forfeited | (0.1) | (0.2) | (0.6) |
| **Balance at end of period** | **4.7** | **9.6** | **14.7** |
| of which vested | 1.2 | 1.7 | 1.0 |
| of which unvested | 3.5 | 7.9 | 13.7 |

**Incentive Share Unit**

ISUs were the main form of share-based deferred compensation for all employees from 2006 to 2009. For 2009, ISUs were used for the deferred compensation awards granted to employees up to and including vice presidents. An ISU is similar to a share, but offers additional upside depending on the development of the Group share price, compared to predefined targets set on the grant date. For each ISU granted, the employee will receive at least one Group share (ISU base unit) over a three-year vesting period and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price on the grant date. The ISU base unit vests equally on each of the three anniversaries of the grant date, whereas the ISU leverage unit will only vest on the third anniversary of the grant date. Group shares are delivered shortly after the ISU base units and the ISU leverage units vest.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the Group share price performance was below the minimum predefined target of CHF 53.71. In 2012, the ISU leverage units granted for 2008 were settled with a value for each outstanding leverage unit equivalent to 0.986 Group shares. In 2011, the ISU leverage units granted for 2007 were settled but did not have a value at settlement as the Group share price performance was below the minimum predefined target of CHF 58.45.

**Incentive Share Unit activities**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **ISU awards (million)** | | | |
| **Balance at beginning of period** | **3.6** | **13.3** | **37.7** |
| Settled | (1.8) | (8.8) | (23.3) |
| Forfeited | (0.6) | (0.9) | (1.1) |
| **Balance at end of period** | **1.2** | **3.6** | **13.3** |
| of which vested | 0.1 | 0.4 | 1.4 |
| of which unvested | 1.1 | 3.2 | 11.9 |

**2008 Partner Asset Facility**

As part of the 2008 annual compensation process, the Group granted employees in Investment Banking with a corporate title of managing director or director the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in Investment Banking.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

In June 2012 and December 2011, existing PAF holders were given a voluntary election to make a value-for-value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. The new PAF awards are subject to the same contractual term, vesting period, performance criteria, settlement and other terms and conditions as the original PAF awards and constitute an additional risk transfer to employees on the expanded portfolio of assets that was removed from the Group's risk-weighted assets, resulting in a reduction in capital usage. As of the June 2012 and December 2011 election dates, approximately 41% and 35%, respectively, of employees holding PAF awards elected to exchange their existing PAF awards for the new PAF awards. Compensation expense for the new PAF awards will be updated at each reporting period date to reflect any change in the underlying fair value of the expanded portfolio of reference assets in addition to the original portfolio of PAF assets until the awards are finally settled. There was no impact on compensation expense on the exchange dates.

### Other cash awards

Other cash awards consist of voluntary deferred compensation, proprietary trading and employee investment plans. The compensation expense related to these awards was primarily driven by mark to market and performance adjustments, as the majority of the awards are fully vested.

### Share options

Options were a substantial component of the Group's share-based program prior to 2004. The Group discontinued the practice of issuing options and all of the original grants have vested. Share options were granted with an exercise price equal to the market price of Group shares on the grant date and expire after ten years.

There were no options granted during 2013, 2012 and 2011. As of December 31, 2013, 2012 and 2011, there was no aggregate intrinsic value of options outstanding or exercisable. As of December 31, 2013 and 2012, there was no total intrinsic value of options exercised and the weighted-average remaining contractual term as of December 31, 2013 was 0.7 years. As of the exercise date, the total intrinsic value of options exercised during 2011 was CHF 1 million. There was no cash received from option exercises in 2013 and 2012. Cash received from option exercises during 2011 was CHF 2 million.

### Share option activities

| | **2013** | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF |
| **Share options** | | | | | | |
| **Balance at beginning of period** | **5.3** | **32.59** | **16.9** | **51.00** | **29.8** | **64.58** |
| Exercised | 0.0 | 0.00 | 0.0 | 0.00 | (0.1) | 31.78 |
| Forfeited | (0.1) | 70.90 | 0.0 | 0.00 | 0.0 | 0.00 |
| Expired | (4.8) | 30.59 | (11.6) | 59.36 | (12.8) | 82.61 |
| **Balance at end of period** | **0.4** | **50.77** | **5.3** | **32.59** | **16.9** | **51.00** |
| of which exercisable at end of period | 0.4 | 50.77 | 5.3 | 32.59 | 16.9 | 51.00 |

### Delivered shares

In the past, the Group typically met its obligations to deliver share awards under its compensation programs by purchasing treasury shares in the market and by entering into third-party hedge instruments. During 2013 and 2012, the Group settled outstanding share-based compensation awards primarily through the issuance of new shares from conditional capital.

## 29 Related parties

### Executive Board and Board of Directors Compensation

▸ Refer to "Note 3 – Compensation to members of the Executive Board and the Board of Directors" in VI – Parent company financial statements – Credit Suisse Group for additional information on compensation to members of the Executive Board and the Board of Directors.

### Executive Board and Board of Directors loans

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Loans to members of the Executive Board (CHF million)** | | | |
| **Balance at beginning of period** | **8** [1] | **22** | **18** |
| Additions | 4 | 3 | 5 |
| Reductions | (2) | (17) | (1) |
| **Balance at end of period** | **10** [1] | **8** | **22** |
| **Loans to members of the Board of Directors (CHF million)** | | | |
| **Balance at beginning of period** | **41** [2] | **34** | **35** |
| Additions | 16 | 12 | 2 |
| Reductions | (2) | (5) | (3) |
| **Balance at end of period** | **55** [2] | **41** | **34** |

[1] The number of individuals with outstanding loans at the beginning and end of the year was three and four, respectively.
[2] The number of individuals with outstanding loans at the beginning and end of the year was five.

### Executive Board and Board of Directors loans

The majority of loans outstanding to members of the Executive Board and the Board of Directors are mortgages or loans against securities. Such loans are made to Executive Board and Board of Directors members on the same terms available to third-party clients or, in the case of loans to members of the Executive Board, pursuant to widely available employee benefit plans. The highest loan outstanding to an Executive Board member was USD 5 million to Eric Varvel as of December 31, 2013.

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.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Board of Directors 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 of Directors 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 included in the "Executive Board and Board of Directors loans" table, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board of Directors 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.

### Banking relationships

The Group is a global financial services provider. Many of the members of the Executive Board and the Board of Directors or companies associated with them maintain banking relationships with the Group. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Executive Board and the Board of Directors and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board of Directors or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2013, 2012 and 2011, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

### Related party transactions

#### Exchange of tier 1 capital instruments

In February 2011, the Group entered into definitive agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 high-trigger capital instruments (new Tier 1 Capital Notes). Under the agreements, QIA and The Olayan Group agreed to purchase USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes in exchange for their holdings of USD 3.45

billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (together, the Tier 1 Capital Notes), or in the event that the Tier 1 Capital Notes had been redeemed in full, for cash.

In July 2012, the Group entered into an amendment agreement with the entity affiliated with The Olayan Group to accelerate the exchange of USD 1.725 billion of the 11% tier 1 capital notes for an equivalent principal amount of new Tier 1 Capital Notes. In October 2013, based on the prior agreement with an entity affiliated with QIA, the Group exchanged such entity's holding of USD 1.72 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes into equivalent principal amounts of new Tier 1 Capital Notes. These transactions were approved by FINMA.

Under their terms, the new Tier 1 Capital Notes will be converted into Group ordinary shares if the Group's reported common equity tier 1 (CET1) ratio, as determined under Basel Committee on Banking Supervision (BCBS) regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at the Group's request, has agreed on or prior to the publication of the Group's quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that the Group requires public sector capital support, to prevent the Group from becoming insolvent, bankrupt or unable to pay a material amount of the Group's debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, the Group's reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of the Group's ordinary shares over a five-day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the new Tier 1 Capital Notes delivered in the exchange as well as the remaining new Tier 1 Capital Notes that were exchanged in October 2013 was adjusted to match the conversion price of the MACCS described below. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by the Group no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5. billion new Tier 1 Capital Notes at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of the Group's current Board of Directors member Mr. Bin Hamad J.J. Al Thani and the Group's then Board of Directors member Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board of Directors (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board of Directors and no other person affiliated with The Olayan Group has been elected as a Board of Directors member.

### Settlement of mandatory and contingent convertible securities

In July 2012, the Group issued CHF 3.8 billion mandatory and contingent convertible securities (MACCS) that mandatorily converted into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013. The settlement and delivery of shares occurred on April 8, 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with QIA and The Olayan Group, which also have been deemed by the Group to be related parties of the Group's current Board of Directors' member Mr. Bin Hamad J.J. Al Thani and the Group's then Board of Directors member Mr. Syriani. In addition to QIA and The Olayan Group, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which, like QIA and The Olayan Group, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS were equally applicable to all purchasers.

### Plus Bonds

In 2013, the Group awarded Plus Bonds to certain employees as deferred variable compensation in respect of their 2012 compensation. The Group provided members of the Executive Board who did not participate in the structuring of the Plus Bond the opportunity to invest their own funds in instruments with substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

### Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm's length terms and at the time, did not involve more than the normal risk of collectability or present other unfavorable features. Arcapita Bank may have been deemed to be a related party entity of the Group because the Group's Board of Directors' member Mr. Bin Hamad J.J. Al Thani was also a member of the board of directors of Arcapita Bank. Mr. Bin Hamad J.J. Al Thani joined the Arcapita Bank board of directors in October 2008 and the Group's Board of Directors in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. During 2013, Mr. Bin Hamad J.J.Al Thani stepped down from the Arcapita Bank board of directors.

**Liabilities due to own pension funds**

Liabilities due to the Group's own defined benefit pension funds as of December 31, 2013 and 2012 of CHF 3,381 million and CHF 3,232 million, respectively, were reflected in various liability accounts in the Group's consolidated balance sheets. In December 2011, the Group's Swiss pension fund invested CHF 350 million into mandatory convertible securities issued by Credit Suisse Group Finance (Guernsey) Limited, an unconsolidated SPE wholly owned by the Group. The mandatory convertible securities contained a 2% coupon and converted into 16.5 million Group shares at maturity in December 2012. In addition, other unconsolidated SPEs wholly owned by the Group had liabilities to the pension funds of the Group with notional values of CHF 77 million and CHF 78 million as of December 31, 2013 and 2012, respectively.

**Loans outstanding made by the Group or any subsidiaries to equity method investees**

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Loans outstanding made by the Group or any subsidiaries to equity method investees (CHF million)** | | | |
| **Balance at beginning of period** | **12** | **13** | **45** |
| Net borrowings/(repayments) | (2) | (1) | (32) |
| **Balance at end of period** | **10** | **12** | **13** |

## 30 Pension and other post-retirement benefits

The Group sponsors defined contribution pension plans, defined benefit pension plans and other post-retirement defined benefit plans such as post-retirement health care.

### DEFINED CONTRIBUTION PENSION PLANS

Defined contribution plans provide each participant with an individual account. The benefits to be provided to a participant are solely based on the contributions made to that employee's account and are affected by income, expenses and gains and losses allocated to the account. As such, there are no stipulations of a defined annuity benefit at retirement and the participants bear the full actuarial as well as investment risk.

The Group contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2013, 2012 and 2011, the Group contributed to these plans and recognized as expense CHF 179 million, CHF 221 million and CHF 246 million, respectively.

### DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

**Defined benefit pension plans**

Defined benefit pension plans are pension plans that define specific benefits for an employee upon that employee's retirement. These benefits are usually determined by taking into account the employee's salary, years of service and age of retirement. Retirees neither bear the actuarial risk (for example, the risk that the retirees of the plan live longer than expected), nor the investment risk (that is, that plan assets invested and associated returns will be insufficient to meet the expected benefits due to low or negative returns on contributions). The Group's funding policy for these plans is in accordance with local laws and tax requirements.

**Swiss pension plan**

The Group's most significant defined benefit pension plan is located and covers its employees in Switzerland and is set up as a trust domiciled in Zurich. The plan provides benefits in the event of retirement, death and disability and meets or exceeds the minimum benefits required under Swiss law. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. Although the plan is largely defined contribution in nature, it is treated as a defined benefit plan under US GAAP, mainly due to a guaranteed minimum return on contributions and guaranteed payment of lifetime pensions. As of December 31, 2013 and 2012, the Group's pension plan in Switzerland comprised 79% and 80%, respectively, of all the Group's employees participating in defined benefit plans, 83% of the fair value of plan assets, and 82% and 83%, respectively, of the pension benefit obligation of the Group's defined benefit plans.

Employee contributions in the savings section depend on their age and are determined as a percentage of the pensionable salary. The employees can select between three different levels of contributions which vary between 5% and 14% depending on their age. The Group's contribution varies between 7.5% and 25% of the pensionable salary depending on the employee's age.

International pension plans

Various defined benefit pension plans cover the Group's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Group's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

### Other post-retirement defined benefit plans

In the US, the Group's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Group promises to provide health and welfare benefits after the employee retires. The Group's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

| | Defined benefit pension plans | | | | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | Switzerland | | | International | | | International | | |
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Total benefit costs (CHF million)** | | | | | | | | | |
| Service costs on benefit obligation | 347 | 347 | 319 | 24 | 30 | 33 | 0 | 1 | 0 |
| Interest costs on benefit obligation | 304 | 378 | 416 | 122 | 127 | 123 | 8 | 8 | 7 |
| Expected return on plan assets | (575) | (617) | (668) | (161) | (164) | (160) | 0 | 0 | 0 |
| Amortization of recognized prior service cost/(credit) | (92) | (52) | 17 | 0 | (1) | 0 | 0 | (2) | (2) |
| Amortization of recognized actuarial losses/(gains) | 258 | 144 | 84 | 79 | 74 | 51 | 13 | 13 | 9 |
| **Net periodic benefit costs** | **242** | **200** | **168** | **64** | **66** | **47** | **21** | **20** | **14** |
| Settlement losses/(gains) | 40 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Curtailment losses/(gains) | (28) | (35) | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special termination benefits | 19 | 19 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total benefit costs** | **273** | **274** | **179** | **64** | **66** | **47** | **21** | **20** | **14** |

Total benefit costs reflected in compensation and benefits – other for 2013, 2012 and 2011 were CHF 358 million, CHF 360 million and CHF 240 million, respectively.

Since the second quarter of 2011, as part of its strategic plan, the Group has launched a number of cost efficiency measures including headcount reduction. This resulted in curtailment gains of CHF 28 million and CHF 35 million in 2013 and 2012, respectively, and a curtailment loss of CHF 1 million in 2011 reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered. Additional costs of CHF 40 million and CHF 90 million in 2013 and 2012, respectively, related to the settlement of the pension obligation for employees in Switzerland whose employment has effectively been terminated or who have left the Group due to a sale of their business. Special termination benefit costs of CHF 19 million, CHF 19 million and CHF 10 million have been recognized in 2013, 2012 and 2011, respectively, relating to early retirements in Switzerland in the context of the cost efficiency measures.

Benefit obligation

The benefit obligation is expressed as either accumulated benefit obligation (ABO) or PBO. While the ABO refers to the actuarial present value based on employee services rendered prior to that date and takes into account current and past compensation levels, the PBO also applies an assumption as to future compensation levels.

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the defined benefit pension and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

### Obligations and funded status of the plans

| | | | Defined benefit pension plans | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|---|---|
| | Switzerland | | International | | International | |
| in / end of | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **PBO (CHF million)** [1] | | | | | | |
| **Beginning of the measurement period** | **14,296** | **13,944** | **2,773** | **2,675** | **180** | **174** |
| Plan participant contributions | 209 | 231 | 0 | 0 | 0 | 0 |
| Service cost | 347 | 347 | 24 | 30 | 0 | 1 |
| Interest cost | 304 | 378 | 122 | 127 | 8 | 8 |
| Plan amendments | 0 | (402) | 0 | 0 | 0 | 0 |
| Settlements | (208) | (335) | (4) | 0 | 0 | 0 |
| Curtailments | (5) | (64) | (2) | (12) | 0 | 0 |
| Special termination benefits | 19 | 19 | 1 | 1 | 0 | 0 |
| Actuarial losses/(gains) | (736) | 855 | 69 | 70 | (8) | 10 |
| Plans removed | 0 | 0 | 0 | (6) | 0 | 0 |
| Benefit payments | (753) | (677) | (97) | (103) | (8) | (8) |
| Exchange rate losses/(gains) | 0 | 0 | (43) | (9) | (4) | (5) |
| **End of the measurement period** | **13,473** | **14,296** | **2,843** | **2,773** | **168** | **180** |
| **Fair value of plan assets (CHF million)** | | | | | | |
| **Beginning of the measurement period** | **14,340** | **13,604** | **2,893** | **2,586** | **0** | **0** |
| Actual return on plan assets | 913 | 1,035 | 183 | 234 | 0 | 0 |
| Employer contributions | 411 | 482 | 67 | 158 | 8 | 8 |
| Plan participant contributions | 209 | 231 | 0 | 0 | 0 | 0 |
| Settlements | (208) | (335) | (4) | 0 | 0 | 0 |
| Benefit payments | (753) | (677) | (97) | (103) | (8) | (8) |
| Exchange rate gains/(losses) | 0 | 0 | (35) | 18 | 0 | 0 |
| **End of the measurement period** | **14,912** | **14,340** | **3,007** | **2,893** | **0** | **0** |
| **Funded status recognized (CHF million)** | | | | | | |
| Funded status of the plan – overfunded/(underfunded) | 1,439 | 44 | 164 | 120 | (168) | (180) |
| **Funded status recognized in the consolidated balance sheet as of December 31** | **1,439** | **44** | **164** | **120** | **(168)** | **(180)** |
| **Total amount recognized (CHF million)** | | | | | | |
| Noncurrent assets | 1,439 | 45 | 520 | 695 | 0 | 0 |
| Current liabilities | 0 | 0 | (8) | (7) | (8) | (8) |
| Noncurrent liabilities | 0 | (1) | (348) | (568) | (160) | (172) |
| **Total amount recognized in the consolidated balance sheet as of December 31** | **1,439** | **44** | **164** | **120** | **(168)** | **(180)** |
| **ABO (CHF million)** [2] | | | | | | |
| **End of the measurement period** | **13,043** | **13,821** | **2,785** | **2,714** | **–** | **–** |

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

US GAAP requires an employer to recognize the funded status of the defined benefit pension and other post-retirement defined benefit plans on the balance sheet. The funded status of these plans is determined as the difference between the fair value of plan assets and the PBO. The funded status may vary from year to year due to changes in the fair value of plan assets and variations of the PBO following changes in the underlying assumptions and census data used to determine the PBO. In 2013 and 2012, the curtailments, settlements and special termination benefits in Switzerland, which impacted the PBO, related to the headcount reduction in the context of the cost efficiency measures. In addition, a plan amendment occurred in the Swiss pension plan as announced on December 17, 2012: the reduction in the conversion rate used to determine the pension annuity resulted in a reduction in the PBO of CHF 402 million in 2012.

The total net amount recognized in the consolidated balance sheets as of December 31, 2013 and 2012 was a net overfunding of CHF 1,435 million and a net underfunding of CHF 16 million, respectively.

In 2014, the Group expects to contribute CHF 521 million to the Swiss and international defined benefit pension plans and CHF 8 million to other post-retirement defined benefit plans.

### PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2013 and 2012, respectively.

**Defined benefit pension plans in which PBO or ABO exceeded plan assets**

| | PBO exceeds fair value of plan assets [1] | | | | ABO exceeds fair value of plan assets [1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Switzerland | | International | | Switzerland | | International | |
| December 31 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **CHF million** | | | | | | | | |
| PBO | 0 | 6 | 1,334 | 1,400 | 0 | 6 | 1,319 | 1,382 |
| ABO | 0 | 5 | 1,307 | 1,364 | 0 | 5 | 1,298 | 1,354 |
| Fair value of plan assets | 0 | 5 | 978 | 825 | 0 | 5 | 964 | 810 |

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

### Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

**Amounts recognized in AOCI, net of tax**

| | Defined benefit pension plans | | Other post-retirement defined benefit plans | | Total | |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Amounts recognized in AOCI (CHF million)** | | | | | | |
| Actuarial gains/(losses) | (2,717) | (3,748) | (40) | (53) | (2,757) | (3,801) |
| Prior service credit/(cost) | 512 | 607 | 3 | 3 | 515 | 610 |
| **Total** | **(2,205)** | **(3,141)** | **(37)** | **(50)** | **(2,242)** | **(3,191)** |

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2013 and 2012, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2014.

## Amounts recognized in other comprehensive income

| | Defined benefit pension plans | | | Other post-retirement defined benefit plans | | | |
|---|---|---|---|---|---|---|---|
| in | Gross | Tax | Net | Gross | Tax | Net | **Total net** |
| **2013 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | 1,027 | (288) [1] | 739 | 8 | (3) | 5 | 744 |
| Amortization of actuarial losses/(gains) | 337 | (83) | 254 | 13 | (5) | 8 | 262 |
| Amortization of prior service cost/(credit) | (92) | 20 | (72) | 0 | 0 | 0 | (72) |
| Immediate recognition due to curtailment/settlement | 18 | (3) | 15 | 0 | 0 | 0 | 15 |
| **Total amounts recognized in other comprehensive income** | **1,290** | **(354)** | **936** | **21** | **(8)** | **13** | **949** |
| **2012 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (437) | 92 | (345) | (10) | 4 | (6) | (351) |
| Prior service credit/(cost) | 402 | (83) | 319 | 0 | 0 | 0 | 319 |
| Amortization of actuarial losses/(gains) | 218 | (57) | 161 | 13 | (5) | 8 | 169 |
| Amortization of prior service cost/(credit) | (53) | 12 | (41) | (2) | 1 | (1) | (42) |
| Immediate recognition due to curtailment/settlement | 131 | (28) | 103 | 0 | 0 | 0 | 103 |
| **Total amounts recognized in other comprehensive income** | **261** | **(64)** | **197** | **1** | **0** | **1** | **198** |

[1] Includes the impact from the valuation allowance recognized on deferred tax assets on one of the Group's entities in the UK, offsetting the tax benefit of CHF 37 million attributable to the UK pension plan.

## Amounts in AOCI, net of tax, expected to be amortized in 2014

| **in 2014** | Defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **CHF million** | | |
| Amortization of actuarial losses/(gains) | 146 | 5 |
| Amortization of prior service cost/(credit) | (69) | 0 |
| **Total** | **77** | **5** |

## Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each of which individually represents the best estimate of a particular future event. Where applicable, they are in line with the expected market averages and benchmarks, the expected trend in the market and historical rates, particularly plan experience.

## Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

| | Defined benefit pension plans | | | | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | Switzerland | | | International | | | International | | |
| December 31 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Net periodic benefit cost (%)** | | | | | | | | | |
| Discount rate | 2.2 | 2.8 | 3.1 | 4.5 | 4.8 | 5.5 | 4.3 | 4.7 | 5.5 |
| Salary increases | 1.2 | 1.4 | 2.0 | 4.0 | 4.0 | 4.2 | – | – | – |
| Expected long-term rate of return on plan assets | 4.0 | 4.3 | 4.8 | 6.2 | 6.4 | 7.3 | – | – | – |
| **Benefit obligation (%)** | | | | | | | | | |
| Discount rate | 2.6 | 2.2 | 2.8 | 4.7 | 4.5 | 4.8 | 5.1 | 4.3 | 4.7 |
| Salary increases | 1.2 | 1.2 | 1.4 | 4.3 | 4.0 | 4.0 | – | – | – |

### Net periodic benefit cost and benefit obligation assumptions

The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date. The discount rate is one of the factors used to determine the present value as of the measurement date of the future cash outflows currently expected to be required to satisfy the benefit obligations when due. The assumption pertaining to salary increases is used to calculate the PBO, which is measured using an assumption as to future compensation levels.

The expected long-term rate of return on plan assets, which is used to calculate the expected return on plan assets as a component of the net periodic benefit costs, reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the PBO. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets and the rates of return expected to be available for reinvestment.

The expected long-term rate of return on plan assets is based on total return forecasts, expected volatility and correlation estimates, reflecting interrelationships between and within asset classes held. Where possible, similar, if not related, approaches are followed to forecast returns for the various asset classes.

The expected long-term rate of return on debt securities reflects both accruing interest and price returns. The probable long-term relationship between the total return and certain exogenous variables is used, which links the total return forecasts on debt securities to forecasts of the macroeconomic environment.

The expected long-term rate of return on equity securities is based on a two-stage dividend discount model which considers economic and market forecasts to compute a market-implied equity risk premium. Dividends are estimated using market consensus earnings and the historical payout ratio. A subsequent scenario analysis is used to stress test the level of the return.

The expected long-term rate of return on real estate is based on economic models that reflect both the rental and the capital market side of the direct real estate market. This allows for a replicable and robust forecasting methodology for expected returns on real estate equity, fund and direct market indices.

The expected long-term rate of return on private equity and hedge funds is estimated by determining the key factors in their historical performance using private equity and hedge fund benchmarks and indices. To capture these factors, multiple linear regression models with lagged returns are used.

### Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of the health care cost trend rates assumed and the sensitivity of a one percentage point increase or decrease of the rate.

**Health care cost trend rates and sensitivity**

| in / end of | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Health care cost trend rate (%)** | | | |
| Annual weighted-average health care cost trend rate [1] | 8.00 | 9.00 | 9.00 |
| **Increase/(decrease) in post-retirement expenses (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 1.3 | 1.4 | 1.3 |
| One percentage point decrease in health care cost trend rates | (1.0) | (1.1) | (1.1) |
| **Increase/(decrease) in post-retirement benefit obligation (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 23 | 27 | 23 |
| One percentage point decrease in health care cost trend rates | (19) | (22) | (19) |

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2021.

The annual health care cost trend rate used to determine the defined benefit cost for 2014 is 8.00%.

### Plan assets and investment strategy

Plan assets, which are assets that have been segregated and restricted to provide for plan benefits, are measured at their fair value as of the measurement date.

The Group's defined benefit pension plans employ a total return investment approach, whereby a diversified mix of debt and equity securities and alternative investments, specifically hedge funds and private equity, are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to meet or outperform plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity securities are diversified across different geographic regions as well as across growth, value and small and large capitalization stocks. Real estate and alternative investments, such as private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to hedge or increase market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Group pension plans follow defined strategic asset allocation guidelines. At times of major market uncertainties and stress, these guidelines may be further restricted.

As of December 31, 2013 and 2012, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 129 million and CHF 256 million, respectively, and the total fair value of Group equity securities and options was CHF 147 million and CHF 109 million, respectively.

### Fair value hierarchy of plan assets

▸ Refer to "Fair value measurement" in Note 34 – Financial instruments for discussion of the fair value hierarchy.

### Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, for the Group's defined benefit pension plans.

### Plan assets measured at fair value on a recurring basis

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | **Total** |
| **Plan assets at fair value (CHF million)** | | | | | | | | |
| Cash and cash equivalents | 3,335 | 35 | 0 | 3,370 | 2,630 | 0 | 0 | 2,630 |
| Debt securities | 415 | 2,978 | 0 | 3,393 | 1,137 | 2,894 | 0 | 4,031 |
| of which governments | 395 | 0 | 0 | 395 | 959 | 28 | 0 | 987 |
| of which corporates | 20 | 2,978 | 0 | 2,998 | 178 | 2,866 | 0 | 3,044 |
| Equity securities | 2,224 | 2,321 | 0 | 4,545 | 1,821 | 1,651 | 0 | 3,472 |
| Real estate | 0 | 564 | 1,125 | 1,689 | 0 | 552 | 1,080 | 1,632 |
| of which direct | 0 | 0 | 1,123 | 1,123 | 0 | 0 | 1,078 | 1,078 |
| of which indirect | 0 | 564 | 2 | 566 | 0 | 552 | 2 | 554 |
| Alternative investments | 0 | 1,178 | 737 | 1,915 | 0 | 1,908 | 662 | 2,570 |
| of which private equity | 0 | 0 | 607 | 607 | 0 | 0 | 662 | 662 |
| of which hedge funds | 0 | 1,086 | 0 | 1,086 | 0 | 1,668 | 0 | 1,668 |
| of which other | 0 | 92 [1] | 130 | 222 | 0 | 240 [1] | 0 | 240 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 5 |
| **Switzerland** | **5,974** | **7,076** | **1,862** | **14,912** | **5,588** | **7,010** | **1,742** | **14,340** |
| Cash and cash equivalents | 66 | 333 | 0 | 399 | 0 | 394 | 0 | 394 |
| Debt securities | 335 | 1,017 | 177 | 1,529 | 234 | 1,128 | 71 | 1,433 |
| of which governments | 335 | 30 | 0 | 365 | 234 | 8 | 0 | 242 |
| of which corporates | 0 | 987 | 177 | 1,164 | 0 | 1,120 [2] | 71 | 1,191 |
| Equity securities | 172 | 441 | 0 | 613 | 188 | 325 [2] | 0 | 513 |
| Real estate – indirect | 0 | 0 | 94 | 94 | 0 | 0 | 89 | 89 |
| Alternative investments | (23) | 290 | 7 | 274 | 0 | 335 | 34 | 369 |
| of which private equity | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| of which hedge funds | 0 | 264 | 3 | 267 | 0 | 94 [2] | 30 | 124 |
| of which other | (23) [1] | 26 [1] | 4 | 7 | 0 | 241 [1] | 0 | 241 |
| Other investments | 0 | 98 | 0 | 98 | 0 | 95 | 0 | 95 |
| **International** | **550** | **2,179** | **278** | **3,007** | **422** | **2,277** | **194** | **2,893** |
| **Total plan assets at fair value** | **6,524** | **9,255** | **2,140** | **17,919** | **6,010** | **9,287** | **1,936** | **17,233** |

[1] Primarily related to derivative instruments.
[2] Prior period has been corrected to reclassify certain plan assets from equity securities to corporate debt and hedge funds, respectively.

**Plan assets measured at fair value on a recurring basis for level 3**

| | | | | Actual return on plan assets | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | On assets still held at reporting date | On assets sold during the period | Purchases, sales, settlements | Foreign currency translation impact | **Balance at end of period** |
| **2013 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 71 | 1 | (1) | 5 | 0 | 103 | (2) | 177 |
| Real estate | 1,169 | 0 | 0 | 52 | 0 | 0 | (2) | 1,219 |
| of which direct | 1,078 | 0 | 0 | 45 | 0 | 0 | 0 | 1,123 |
| of which indirect | 91 | 0 | 0 | 7 | 0 | 0 | (2) | 96 |
| Alternative investments | 696 | 149 | (147) | 37 | 7 | 15 | (13) | 744 |
| of which private equity | 666 | 0 | (147) | 45 | 1 | 47 | (5) | 607 |
| of which hedge funds | 30 | 2 | 0 | (3) | 2 | (27) | (1) | 3 |
| of which other | 0 | 147 | 0 | (5) | 4 | (5) | (7) | 134 |
| **Total plan assets at fair value** | **1,936** | **150** | **(148)** | **94** | **7** | **118** | **(17)** | **2,140** |
| of which Switzerland | 1,742 | 147 | (147) | 87 | 0 | 42 | (9) | 1,862 |
| of which International | 194 | 3 | (1) | 7 | 7 | 76 | (8) | 278 |
| **2012 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 90 | 0 | (28) | 9 | 3 | (3) | 0 | 71 |
| Real estate | 1,118 | 0 | 0 | 50 | 0 | 3 | (2) | 1,169 |
| of which direct | 1,034 | 0 | 0 | 44 | 0 | 0 | 0 | 1,078 |
| of which indirect | 84 | 0 | 0 | 6 | 0 | 3 | (2) | 91 |
| Alternative investments | 696 | 0 | 0 | (17) | 3 | 31 | (17) | 696 |
| of which private equity | 615 | 0 | 0 | (18) | 2 | 82 | (15) | 666 |
| of which hedge funds | 81 | 0 | 0 | 1 | 1 | (51) | (2) | 30 |
| **Total plan assets at fair value** | **1,904** | **0** | **(28)** | **42** | **6** | **31** | **(19)** | **1,936** |
| of which Switzerland | 1,640 | 0 | 0 | 27 | 0 | 89 | (14) | 1,742 |
| of which International | 264 | 0 | (28) | 15 | 6 | (58) | (5) | 194 |

## Qualitative disclosures of valuation techniques used to measure fair value

### Cash and cash equivalents

Cash and cash equivalents includes money market instruments such as bankers' acceptances, certificates of deposit, CP, book claims, treasury bills, other rights and commingled funds. Valuations of money market instruments and commingled funds are generally based on observable inputs.

### Debt securities

Debt securities include government and corporate bonds which are generally quoted in active markets. Debt securities for which market prices are not available, are valued based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment.

### Equity securities

Equity securities held include common equity shares, convertible bonds and shares in investment companies and units in mutual funds. The common equity shares are generally traded on public stock exchanges for which quoted prices are regularly available. Convertible bonds are generally valued using observable pricing sources. Shares in investment companies and units in mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

### Derivatives

Derivatives include both OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity since the required inputs are generally observable in the marketplace. Other more complex derivatives may use unobservable inputs. Such inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. The fair value of exchange-traded derivatives is typically derived from the observable exchange prices and/or observable inputs.

### Real estate

Real estate includes direct real estate as well as investments in real estate investment companies, trusts or mutual funds. Direct real estate is initially measured at its transaction price, which is the best estimate of fair value. Thereafter, direct real estate is individually measured at fair value based on a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. Real estate investment companies, trusts and mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

### Alternative investments

Private equity includes direct investments, investments in partnerships that make private equity and related investments in various portfolio companies and funds and fund of funds partnerships. Private equity consists of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based on publicly available quotes with appropriate adjustments for liquidity or trading restrictions. Private equity is valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Private equity for which a fair value is not readily determinable is measured at fair value using NAV provided by the general partner.

Hedge funds that are not directly quoted on a public stock exchange, and/or for which a fair value is not readily determinable, are measured at fair value using NAV provided by the fund administrator.

### Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

### Weighted-average plan asset allocation

| | Switzerland | | International | |
|---|---|---|---|---|
| December 31 | **2013** | 2012 | **2013** | 2012 |
| **Weighted-average plan asset allocation (%)** | | | | |
| Cash and cash equivalents | 22.6 | 18.3 | 13.3 | 13.6 |
| Debt securities | 22.8 | 28.1 | 50.7 | 49.5 [1] |
| Equity securities | 30.4 | 24.2 | 20.4 | 17.8 [1] |
| Real estate | 11.3 | 11.4 | 3.1 | 3.1 |
| Alternative investments | 12.9 | 18.0 | 9.2 | 12.7 [1] |
| Insurance | 0.0 | 0.0 | 3.3 | 3.3 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

[1] Prior period has been corrected to reclassify certain plan assets from equity securities to debt securities and alternative investments, respectively.

The following table shows the target plan asset allocation for 2014 in accordance with the Group's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2014.

### Weighted-average target plan asset allocation for 2014

| | Switzerland | International |
|---|---|---|
| **2014 (%)** | | |
| Cash and cash equivalents | 10 | 0 |
| Debt securities | 35 | 59 |
| Equity securities | 30 | 25 |
| Real estate | 12 | 3 |
| Alternative investments | 13 | 10 |
| Insurance | 0 | 3 |
| **Total** | **100** | **100** |

### Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

### Estimated future benefit payments for defined benefit plans

| | Defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **Estimated future benefit payments (CHF million)** | | |
| 2014 | 969 | 8 |
| 2015 | 956 | 9 |
| 2016 | 936 | 10 |
| 2017 | 909 | 10 |
| 2018 | 896 | 11 |
| For five years thereafter | 4,933 | 59 |

## 31 Derivatives and hedging activities

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

The Group also enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index or third-party credit risk, or that have non-standard interest or foreign exchange terms.

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

### Trading activities

The Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products, such as custom transactions using combinations of derivatives, in connection with its sales and trading activities. Trading activities include market making, positioning and arbitrage activities. The majority of the Group's derivatives were used for trading activities.

### Economic hedges

Economic hedges arise when the Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under US GAAP. These economic hedges include the following types:
- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, as well as on core banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

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

### Hedge accounting

#### Fair value hedges

The Group designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Group uses:
- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

#### Cash flow hedges

The Group designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Group also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Group elects to be exposed. This includes, but is not limited to, Swiss francs and US dollars. Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. As of the end of 2013, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was three years.

#### Net investment hedges

The Group designates net investment hedges as part of its strategy to hedge selected net investments in foreign operations against adverse movements in foreign exchange rates, typically using forward foreign exchange contracts.

#### Hedge effectiveness assessment

The Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Group to determine whether or not the hedging relationship has actually been effective. If the

Group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 34 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| end of 2013 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,589.6 | 399.6 | 393.8 | 68.5 | 2.8 | 0.7 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,382.0** | **446.7** | **441.5** | **68.5** | **2.8** | **0.7** |
| Forwards | 2,098.0 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.1 | 28.9 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.0** | **61.3** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.3 | 12.2 | 12.0 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.2** | **35.3** | **37.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.4 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.2 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,327.3** | **575.5** | **583.9** | **108.4** | **3.1** | **0.8** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.7 billion, CHF 578.6 billion and CHF 584.7 billion, respectively, as of December 31, 2013.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Primarily credit default swaps.

3 Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 2012 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging [1] Notional amount | Hedging [1] Positive replacement value (PRV) | Hedging [1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 8,055.9 | 2.6 | 2.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 29,155.2 | 635.6 | 630.1 | 62.8 | 3.9 | 1.5 |
| Options bought and sold (OTC) | 3,739.9 | 62.4 | 62.6 | 0.0 | 0.0 | 0.0 |
| Futures | 1,145.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 952.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **43,048.4** | **700.9** | **695.4** | **62.8** | **3.9** | **1.5** |
| Forwards | 2,133.4 | 21.6 | 21.3 | 19.6 | 0.2 | 0.1 |
| Swaps | 1,336.3 | 32.2 | 46.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 985.3 | 9.7 | 10.7 | 0.0 | 0.0 | 0.0 |
| Futures | 83.8 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,542.4** | **63.5** | **78.6** | **19.6** | **0.2** | **0.1** |
| Forwards | 5.5 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 211.0 | 4.6 | 5.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 214.9 | 11.4 | 11.1 | 0.0 | 0.0 | 0.0 |
| Futures | 74.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 338.2 | 13.7 | 14.1 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **844.0** | **30.3** | **31.0** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [3] | **1,694.4** | **30.6** | **29.8** | **0.0** | **0.0** | **0.0** |
| Forwards | 31.3 | 1.1 | 1.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 55.3 | 3.6 | 3.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 54.2 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Futures | 35.6 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 50.4 | 1.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| **Other products** [4] | **226.8** | **7.9** | **7.8** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,356.0** | **833.2** | **842.6** | **82.4** | **4.1** | **1.6** |

The notional amount, PRV and NRV (trading and hedging) was CHF 50,438.4 billion, CHF 837.3 billion and CHF 844.2 billion, respectively, as of December 31, 2012.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Prior period has been corrected to reclassify the notional amounts from other products to foreign exchange products.

3 Primarily credit default swaps.

4 Primarily precious metals, commodity, energy and emission products.

## Fair value hedges

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | 437 | 834 | 548 |
| Foreign exchange products | (9) | (13) | 20 |
| **Total** | **428** | **821** | **568** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | (435) | (878) | (585) |
| Foreign exchange products | 9 | 13 | (20) |
| **Total** | **(426)** | **(865)** | **(605)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | 2 | (44) | (37) |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 7 | 8 | 0 |
| Foreign exchange products | 13 | 30 | (6) |
| **Total** | **20** | **38** | **(6)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products [1] | 3 | 0 | 0 |
| Foreign exchange products | (3) [2] | 0 | 31 [3] |
| **Total** | **0** | **0** | **31** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains on the ineffective portion | 1 | 0 | 0 |

[1] Included in trading revenues.
[2] Included in other revenues.
[3] Included in commissions and fees.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 3 million.

## Net investment hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 504 | (81) | 280 |
| **Total** | **504** | **(81)** | **280** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Foreign exchange products [1] | 2 | 75 | 4 |
| **Total** | **2** | **75** | **4** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to “Note 8 – Trading revenues” for gains and losses on trading activities by product type.

## Disclosures relating to contingent credit risk

Certain of the Group’s derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group’s current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| | | | | **2013** | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.7 | 1.1 | 0.1 | **12.9** | 15.3 | 1.4 | 0.6 | **17.3** |
| Collateral posted | 10.6 | 1.2 | – | **11.8** | 13.4 | 1.4 | – | **14.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.8 | 0.0 | **1.4** | 0.2 | 0.5 | 0.0 | **0.7** |
| Additional collateral required in a two-notch downgrade event | 2.3 | 1.1 | 0.0 | **3.4** | 2.7 [1] | 1.5 | 0.5 | **4.7** |

[1] Additional collateral required in a two-notch downgrade event has been corrected.

## Credit derivatives

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. They are generally privately negotiated OTC contracts, with numerous settlement and payment terms, and most are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet obligations when due.

The Group enters into credit derivative contracts in the normal course of business, buying and selling protection to facilitate client transactions and as a market maker. This includes providing structured credit products for its clients to enable them to hedge their credit risk. The referenced instruments of these structured credit products are both investment grade and non-investment grade and could include corporate bonds, sovereign debt, asset-backed securities (ABS) and loans. These instruments can be formed as single items (single-named instruments) or combined on a portfolio basis (multi-named instruments). The Group purchases protection to economically hedge various forms of credit exposure, for example, the economic hedging of loan portfolios or other cash positions. Finally, the Group also takes proprietary positions which can take the form of either purchased or sold protection.

The credit derivatives most commonly transacted by the Group are CDS and credit swaptions. CDSs are contractual agreements in which the buyer of the swap pays an upfront and/or a periodic fee in return for a contingent payment by the seller of the swap following a credit event of the referenced entity or asset. Credit swaptions are options with a specified maturity to buy or sell protection under a CDS on a specific referenced credit event.

In addition, to reduce its credit risk, the Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis and cannot be allocated to a particular derivative contract.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information on netting.

### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events. The Group believes that the maximum potential payout is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Group's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Group is usually liable for the difference between the credit protection sold and the recourse it holds in the value of the underlying assets. The maximum potential amount of future payments has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible.

To reflect the quality of the payment risk on credit protection sold, the Group assigns an internally generated rating to those instruments referenced in the contracts. Internal ratings are assigned by experienced credit analysts based on expert judgment that incorporates analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed, and their relative importance, are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals, and making use of peer analysis, industry comparisons and other quantitative tools. External ratings and market information are also used in the analysis process where available.

### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold. The maximum potential payout amount of credit protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

The Group also considers estimated recoveries that it would receive if the specified credit event occurred, including both the anticipated value of the underlying referenced asset that would, in most instances, be transferred to the Group and the impact of any purchased protection with an identical reference instrument and product type.

### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments, and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

The Group purchases its protection from banks and broker dealers, other financial institutions and other counterparties.

### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.4 billion and CHF 6.0 billion as of December 31, 2013 and 2012, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

## Credit protection sold/purchased

| end of | Credit protection sold 2013 | Credit protection purchased [1] 2013 | Net credit protection (sold)/ purchased 2013 | Other protection purchased 2013 | Fair value of credit protection sold 2013 | Credit protection sold 2012 | Credit protection purchased [1] 2012 | Net credit protection (sold)/ purchased 2012 | Other protection purchased 2012 | Fair value of credit protection sold 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 | (394.6) | 373.9 | (20.7) | 56.0 | 2.5 |
| Non-investment grade | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 | (135.4) | 129.3 | (6.1) | 11.3 | (0.4) |
| **Total single-name instruments** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** | **(530.0)** [3] | **503.2** [3] | **(26.8)** | **67.3** [3] | **2.1** [3] |
| of which sovereign | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) | (119.4) | 117.1 | (2.3) | 10.3 | (0.7) |
| of which non-sovereign | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 | (410.6) | 386.1 | (24.5) | 57.0 | 2.8 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 | (222.2) | 207.1 | (15.1) | 20.6 | (0.7) |
| Non-investment grade | (65.0) | 59.0 [4] | (6.0) | 13.5 | 1.5 | (62.8) | 56.1 [4] | (6.7) | 9.8 | (1.6) |
| **Total multi-name instruments** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** | **(285.0)** [3] | **263.2** [3] | **(21.8)** | **30.4** [3] | **(2.3)** [3] |
| of which sovereign | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 | (13.5) | 13.1 | (0.4) | 0.4 | (0.1) |
| of which non-sovereign | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 | (271.5) | 250.1 | (21.4) | 30.0 | (2.2) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 | (616.8) | 581.0 | (35.8) | 76.6 | 1.8 |
| Non-investment grade | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 | (198.2) | 185.4 | (12.8) | 21.1 | (2.0) |
| **Total instruments** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** | **(815.0)** | **766.4** | **(48.6)** | **97.7** | **(0.2)** |
| of which sovereign | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) | (132.9) | 130.2 | (2.7) | 10.7 | (0.8) |
| of which non-sovereign | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 | (682.1) | 636.2 | (45.9) | 87.0 | 0.6 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Credit protection instruments have been corrected to reclassify certain single-name instruments to multi-name instruments.
4 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | **2013** | 2012 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 698.7 | 815.0 |
| Credit protection purchased | 663.9 | 766.4 |
| Other protection purchased | 109.0 | 97.7 |
| Other instruments [1] | 11.7 | 15.3 |
| **Total credit derivatives** | **1,483.3** | **1,694.4** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **2013 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |
| **2012 (CHF billion)** | | | | |
| Single-name instruments | 125.0 | 326.0 | 79.0 | 530.0 |
| Multi-name instruments | 42.7 | 171.0 | 71.3 | 285.0 |
| **Total instruments** | **167.7** | **497.0** | **150.3** | **815.0** |

## 32 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

### Guarantees

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,826 | 1,125 | 396 | 569 | 4,916 | 4,768 | 34 | 2,333 |
| Performance guarantees and similar instruments | 4,428 | 1,786 | 1,006 | 145 | 7,365 | 6,444 | 87 | 3,312 |
| Securities lending indemnifications | 11,479 | 0 | 0 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 9,544 | 1,960 | 1,899 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 4,003 | 817 | 197 | 198 | 5,215 | 5,191 | 3 | 2,631 |
| **Total guarantees** | **40,983** | **13,272** | **3,559** | **2,811** | **60,625** | **59,532** | **839** | **19,755** |
| **2012 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments [4] | 10,104 | 1,543 | 334 | 606 | 12,587 | 12,200 | 53 | 1,920 |
| Performance guarantees and similar instruments | 5,160 | 1,643 | 970 | 1,758 | 9,531 | 8,793 | 139 | 3,336 |
| Securities lending indemnifications | 12,211 | 0 | 0 | 0 | 12,211 | 12,211 | 0 | 12,211 |
| Derivatives [2] | 21,197 | 9,951 | 1,833 | 2,434 | 35,415 | 35,415 | 985 | – [3] |
| Other guarantees | 4,297 | 689 | 286 | 147 | 5,419 | 5,397 | 3 | 2,812 |
| **Total guarantees** | **52,969** | **13,826** | **3,423** | **4,945** | **75,163** | **74,016** | **1,180** | **20,279** |

1 Total net amount is computed as the gross amount less any participations.
2 Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
3 Collateral for derivatives accounted for as guarantees is not significant.
4 Prior period has been corrected.

#### Credit guarantees and similar instruments

Credit guarantees and similar instruments are contracts that require the Group to make payments should a third party fail to do so under a specified existing credit obligation. The position includes standby letters of credit, commercial and residential mortgage guarantees and other guarantees associated with VIEs.

Standby letters of credit are made in connection with the corporate lending business and other corporate activities, where the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparties fail to fulfill their obligations under a borrowing arrangement or other contractual obligation.

Commercial and residential mortgage guarantees are made in connection with the Group's commercial mortgage activities in the US, where the Group sells certain commercial and residential mortgages to the Fannie Mae and agrees to bear a percentage of the losses triggered by the borrowers failing to perform on the mortgage. The Group also issues guarantees that require it to reimburse Fannie Mae for losses on certain whole loans underlying mortgage-backed securities issued by Fannie Mae, which are triggered by borrowers failing to perform on the underlying mortgages.

The Group also provides guarantees to VIEs and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events such as rating downgrades and/or substantial decreases in the fair value of those assets.

#### Performance guarantees and similar instruments

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance guarantees are frequently executed as part of project finance transactions. The position includes private equity fund guarantees and guarantees related to residential mortgage securitization activities.

For private equity fund guarantees, the Group has provided investors in private equity funds sponsored by a Group entity guarantees on potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners if the performance of the remaining investments declines. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitization activities in the US, the Group may guarantee the collection by the servicer and remittance to the securitization trust of prepayment penalties. The Group will have to perform under these guarantees in the event the servicer fails to remit the prepayment penalties.

### Securities lending indemnifications

Securities lending indemnifications include arrangements in which the Group agreed to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed. As indicated in the Guarantees table, the Group was fully collateralized in respect of securities lending indemnifications.

### Derivatives

Derivatives are issued in the ordinary course of business, generally in the form of written put options. Disclosures about derivative contracts are not required under US GAAP if such contracts may be cash settled and the Group has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The Group has concluded that these conditions were met for certain active commercial and investment banks and certain other counterparties, and accordingly, the Group has not included such contracts as guarantees.

The Group manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts were disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Group carries all derivatives at fair value in the consolidated balance sheets and has considered the performance triggers and probabilities of payment when determining those fair values. It is more likely than not that written put options that are in-the-money to the counterparty will be exercised, for which the Group's exposure was limited to the carrying value reflected in the table.

### Other guarantees

Other guarantees include bankers' acceptances, residual value guarantees, deposit insurance, contingent considerations in business combinations, the minimum value of an investment in mutual funds or private equity funds and all other guarantees that were not allocated to one of the categories above.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### PAF2 transaction

The Group's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Group. In the first quarter of 2012, the Group entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covered approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Group, and was addressed in three layers: (i) first loss (USD 0.5 billion), (ii) mezzanine (USD 0.8 billion) and (iii) senior (USD 11 billion). The first loss element was retained by the Group and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic CDO trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Group's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Group for counterparty risk management. As of December 31, 2013, the carrying value of the PAF2 awards was CHF 652 million. The amount of the PAF2 awards compensation expense for 2013 was CHF 83 million and is included in the amount reflected in the "Deferred compensation expense" table in Note 28 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Group had purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a CDS, accounted for at fair value, with a third-party entity. The value of the senior layer was calculated using the same model as for the PAF2 awards. The Group also had a credit support facility with this entity that allowed the Group to provide credit support in connection with other assets that are commonly financed through the issuance of CP and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances included: (i) a disruption of the CP market such that the entity could not issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeded certain thresholds and the Group instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider was downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount could be settled by the assignment of the rights and obligations of the CDS to the Group. The credit support facility was accounted for on an accrual basis.

In December 2012, the BCBS published updated regulatory guidance that made the PAF2 transaction as it was structured ineligible for counterparty credit spread hedging under the Basel III framework. As a result of this new guidance, the Group had the right to exercise a regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. In October 2013, the Group exercised the call to terminate the CDS and the credit support facility at par.

As of December 31, 2013, the mezzanine layer in the form of PAF2 awards remained in place. In the first quarter of 2014, the Group terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of either Contingent Capital Awards or for an interest in a fund at the discretion of the award holders.

▸ Refer to "Note 28 – Employee deferred compensation" for further information.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac (GSEs); institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2013 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 2013 and 2012, including realized losses from the repurchase of residential mortgage loans sold.

#### Residential mortgage loans sold

| January 1, 2004 to December 31, 2013 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 23.5 |
| Non-agency securitizations | 133.8 [2] |
| **Total** | **165.5** |

[1] Primarily banks.
[2] The outstanding balance of residential mortgage loans sold was USD 26.2 billion as of December 31, 2013. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2013 was attributable to borrower payments of USD 88.9 billion and losses of USD 18.7 billion due to loan defaults.

## Residential mortgage loans sold – outstanding repurchase claims

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **67** | **464** | **1,395** | **1,926** | **68** | **432** | **243** | **743** |
| New claims | 69 | 139 | 1,039 | 1,247 | 58 | 57 | 2,032 | 2,147 |
| Claims settled through repurchases | (4) | (1) | (2) | (7) [1] | (7) | 0 | (7) | (14) [1] |
| Other settlements | (31) | (178) | (7) | (216) [2] | (15) | (7) | (32) | (54) [2] |
| Total claims settled | (35) | (179) | (9) | (223) | (22) | (7) | (39) | (68) |
| Claims rescinded | (24) | (4) | 0 | (28) | (37) | (18) | 0 | (55) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (2,342) [4] | (2,342) | 0 | 0 | (841) | (841) |
| **Balance at end of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |

1 Settled at a repurchase price of USD 6 million and USD 15 million in 2013 and 2012, respectively.
2 Settled at USD 48 million and USD 41 million in 2013 and 2012, respectively.
3 Refer to "Note 38 – Litigation" for repurchase claims that are in arbitration or litigation.
4 Transfers to arbitration and litigation disclosed in 2013 include portfolios of claims of approximately USD 0.3 billion for which formal legal proceedings had commenced in prior periods.

## Provisions for outstanding repurchase claims

| | 2013 | 2012 |
|---|---|---|
| **Provisions for outstanding repurchase claims (USD million) [1]** | | |
| **Balance at beginning of period** | **55** | **59** |
| Increase/(decrease) in provisions, net | 145 | 52 |
| Realized losses [2] | (54) [3] | (56) [4] |
| **Balance at end of period** | **146** [3] | **55** [5] |

1 Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 38 – Litigation" for further information.
2 Includes indemnifications paid to resolve loan repurchase claims.
3 Primarily related to government-sponsored enterprises and private investors.
4 Primarily related to government-sponsored enterprises and non-agency securitizations.
5 Primarily related to government-sponsored enterprises.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

▸ Refer to "Note 38 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the "Guarantees" table and are discussed below.

#### Disposal-related contingencies

In connection with the sale of assets or businesses, the Group sometimes provides the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. The Group closely monitors all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in the Group's consolidated financial statements.

#### Other indemnifications

The Group provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount that it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

The Group is a member of numerous securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults. The Group has determined that it is not possible to estimate the maximum amount of these obligations and believes that any potential requirement to make payments under these arrangements is remote.

### Lease commitments

| Lease commitments (CHF million) | |
|---|---|
| 2014 | 580 |
| 2015 | 527 |
| 2016 | 474 |
| 2017 | 412 |
| 2018 | 365 |
| Thereafter | 3,063 |
| **Future operating lease commitments** | **5,421** |
| Less minimum non-cancellable sublease rentals | 171 |
| **Total net future minimum lease commitments** | **5,250** |

### Rental expense for operating leases

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Rental expense for operating leases (CHF million)** | | | |
| Minimum rental expense | 642 | 631 | 554 |
| Sublease rental income | (85) | (98) | (97) |
| **Total net expenses for operating leases** | **557** | **533** | **457** |

### Operating lease commitments

The Group has contractual commitments under operating lease arrangements for certain premises and equipment. Under operating leases, the leased property is not reported on the balance sheet of the lessee. Lease payments required by the contract are generally expensed on a straight-line basis over the term of the lease. The related commitments for future rental expenses under operating leases are included in the table "Lease commitments".

From time to time, the Group may enter into sale-leaseback transactions, in which an asset is sold and immediately leased back. If specific criteria are met, such asset is derecognized from the balance sheet and an operating lease is recognized. If the present value of the lease payments is equal to or higher than 10% of the fair value of the property sold, any resulting gains up to an amount equal to the present value of the lease payments are deferred and recognized in the statement of operations over the term of the lease as a reduction of rental expense. Gains on sale-leaseback transactions for which the lease payments are lower than 10% of the fair value of the property sold or gains in excess of the present value of the lease payments are recognized in the statements of operations upon completion of the sale.

#### Sale-leaseback transactions

In the first quarter of 2012, the Group sold the office complex of its European headquarters at One Cabot Square in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Group sold the Uetlihof office complex in Zurich, the Group's principal office building worldwide, to Norges Bank, a minority shareholder of the Group, and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank, through its Investment Management unit, was acting as the buyer on behalf of the Norwegian Government Pension Fund Global.

During 2013 and 2012, the Group entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 78 million for the 2013 sale-leaseback transactions and CHF 41 million for the 2012 sale-leaseback transactions.

## Other commitments

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 5,484 | 27 | 1 | 0 | 5,512 | 5,452 | 3,381 |
| Irrevocable loan commitments [2] | 27,250 | 26,877 | 35,376 | 7,487 | 96,990 | 92,732 | 47,996 |
| Forward reverse repurchase agreements | 26,893 | 0 | 0 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 2,481 | 1,020 | 104 | 286 | 3,891 | 3,891 | 350 |
| **Total other commitments** | **62,108** | **27,924** | **35,481** | **7,773** | **133,286** | **128,968** | **78,620** |
| **2012 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 6,217 | 35 | 6 | 0 | 6,258 | 6,061 | 3,219 |
| Irrevocable loan commitments [2] | 32,794 | 23,612 | 37,790 | 6,023 | 100,219 | 94,748 | 32,765 |
| Forward reverse repurchase agreements | 45,556 | 0 | 0 | 0 | 45,556 | 45,556 | 45,556 |
| Other commitments | 949 | 864 | 172 | 576 | 2,561 | 2,561 | 131 |
| **Total other commitments** | **85,516** | **24,511** | **37,968** | **6,599** | **154,594** | **148,926** | **81,671** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 90,254 million and CHF 78,887 million of unused credit limits as of December 31, 2013 and 2012, respectively, which were revocable at the Group's sole discretion upon notice to the client. Prior period has been adjusted to the current presentation.

### Irrevocable commitments under documentary credits

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Group guarantees payments to exporters against presentation of shipping and other documents.

### Irrevocable loan commitments

Irrevocable loan commitments are irrevocable credit facilities extended to clients and include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Group. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes and are not included in this disclosure. Such commitments are reflected as derivatives in the consolidated balance sheets.

### Forward reverse repurchase agreements

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates.

### Other commitments

Other commitments include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for call and put options on shares and other equity instruments.

## 33 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

### Transfers of financial assets

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, CP and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and ABS that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2013, 2012 and 2011 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Gains and cash flows (CHF million)** | | | |
| **CMBS** | | | |
| Net gain [1] | 4 | 56 | 6 |
| Proceeds from transfer of assets | 5,574 | 6,156 | 974 |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 70 | 57 | 205 |
| **RMBS** | | | |
| Net gain/(loss) [1] | (8) | 3 | 65 |
| Proceeds from transfer of assets | 24,523 | 15,143 | 30,695 |
| Purchases of previously transferred financial assets or its underlying collateral | (10) | (25) | (4) |
| Servicing fees | 4 | 3 | 3 |
| Cash received on interests that continue to be held | 486 | 554 | 382 |
| **Other asset-backed financings** | | | |
| Net gain [1] | 15 | 83 | 24 |
| Proceeds from transfer of assets | 915 | 591 | 1,268 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | (213) | (621) | (256) |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 633 | 1,350 | 701 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral are the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE, which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets. Beneficial interests, which are valued at fair value, include rights to receive all or portions of specified cash inflows received by an SPE, including, but not limited to, senior and subordinated shares of interest, principal, or other cash inflows to be "passed through" or "paid through", premiums due to guarantors, CP obligations, and residual interests, whether in the form of debt or equity.

The Group's exposure resulting from continuing involvement in transferred financial assets is generally limited to beneficial interests typically held by the Group in the form of instruments issued by SPEs that are senior, subordinated or residual tranches. These instruments are held by the Group typically in connection with underwriting or market-making activities and are included in trading assets in the consolidated balance sheets. Any changes in the fair value of these beneficial interests are recognized in the consolidated statements of operations.

Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as collateral accounts, or from liquidity facilities, such as lines of credit or liquidity put option of asset purchase agreements. The SPE may also enter into a derivative contract in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. The Group may be the provider of certain credit enhancements as well as the counterparty to any related derivative contract.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2013 and 2012, regardless of when the transfer of assets occurred.

**Principal amounts outstanding and total assets of SPEs resulting from continuing involvement**

| end of | **2013** | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 37,308 | 30,050 |
| Total assets of SPE | 48,715 | 45,407 |
| **RMBS** | | |
| Principal amount outstanding | 45,571 | 58,112 |
| Total assets of SPE | 48,741 | 60,469 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 27,854 | 32,805 |
| Total assets of SPE | 27,854 | 32,805 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Fair value measurement" in Note 34 – Financial instruments for further information on fair value hierarchy.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

| | **2013** | | 2012 | |
|---|---|---|---|---|
| at time of transfer | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 633 | 2,993 | 761 | 2,219 |
| of which level 2 | 476 | 2,879 | 654 | 2,090 |
| of which level 3 | 156 | 114 | 107 | 129 |
| Weighted-average life, in years | 7.3 | 7.7 | 8.4 | 5.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 2.0–31.0 | – [2] | 0.1–34.9 |
| Cash flow discount rate (rate per annum), in % [3] | 1.6–11.6 | 0.0–45.9 | 0.8–10.7 | 0.1–25.7 |
| Expected credit losses (rate per annum), in % | 0.0–7.5 | 0.0–45.8 | 0.5–9.0 | 0.0–25.1 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2013 and 2012.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,132 | 2,354 | 284 | 274 | 1,929 | 692 |
| of which non-investment grade | 26 | 359 | 204 | 90 | 342 | 686 |
| Weighted-average life, in years | 6.5 | 8.6 | 3.7 | 4.0 | 5.2 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–23.5 | – | – | 0.1–27.6 | – |
| Impact on fair value from 10% adverse change | – | (26.6) | – | – | (38.5) | – |
| Impact on fair value from 20% adverse change | – | (48.6) | – | – | (74.3) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 | 1.1–50.2 | 0.2–42.8 | 0.7–51.7 |
| Impact on fair value from 10% adverse change | (25.5) | (65.0) | (2.4) | (14.8) | (62.8) | (1.0) |
| Impact on fair value from 20% adverse change | (50.0) | (124.9) | (4.9) | (19.9) | (93.5) | (1.8) |
| Expected credit losses (rate per annum), in % | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 | 0.9–49.5 | 0.9–42.8 | 0.3–51.4 |
| Impact on fair value from 10% adverse change | (10.9) | (42.2) | (0.4) | (14.4) | (55.9) | (0.8) |
| Impact on fair value from 20% adverse change | (21.5) | (79.6) | (0.7) | (19.2) | (80.3) | (1.6) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
[2] CDOs within this category are generally structured to be protected from prepayment risk.
[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2013 and 2012.

▸ Refer to "Note 35 – Asset pledged and collateral" for further information.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| | 2013 | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 432 | 467 |
| Liability to SPE, included in Other liabilities | (432) | (467) |
| **Other asset-backed financings** | | |
| Trading assets | 216 | 1,171 |
| Other assets | 157 | 913 |
| Liability to SPE, included in Other liabilities | (373) | (2,084) |

**Variable interest entities**

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Group, unrelated third parties or clients. Such entities are required to be assessed for consolidation, compelling the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis.

Application of the requirements for consolidation of VIEs may require the exercise of significant management judgment. In the event consolidation of a VIE is required, the exposure to the Group is limited to that portion of the VIE's assets attributable to any variable interest held by the Group prior to any risk management activities to hedge the Group's net exposure. Any interests held in the VIE by third parties, even though consolidated by the Group, will not typically impact its results of operations.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Group may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets as well as possibly entering into related derivatives with those VIEs, providing liquidity, credit or other support. Other transactions with VIEs include derivative transactions in the Group's capacity as the prime broker. The Group also enters into lending arrangements with VIEs for the purpose of financing projects or the acquisition of assets. Typically, the VIE's assets are restricted in nature in that they are held primarily to satisfy the obligations of the entity. Further, the Group is involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where the Group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

As a consequence of these activities, the Group holds variable interests in VIEs. Such variable interests consist of financial instruments issued by VIEs and which are held by the Group, certain derivatives with VIEs or loans to VIEs. Guarantees issued by the Group to or on behalf of VIEs may also qualify as variable interests. For such guarantees, including derivatives that act as guarantees, the notional amount of the respective guarantees is presented to represent the exposure. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

Total assets of consolidated and non-consolidated VIEs for which the Group has involvement represent the total assets of the VIEs even though the Group's involvement may be significantly less due to interests held by third-party investors. The asset balances for non-consolidated VIEs where the Group has significant involvement represent the most current information available to the Group regarding the remaining principal balance of assets owned. In most cases, the asset balances represent an amortized cost basis without regards to impairments in fair value, unless fair value information is readily available.

The Group's maximum exposure to loss is different from the carrying value of the assets of the VIE. This maximum exposure to loss consists of the carrying value of the Group variable interests held as trading assets, derivatives and loans and the notional amount of guarantees to VIEs, rather than the amount of total assets of the VIEs. The maximum exposure to loss does not reflect the Group's risk management activities, including effects from financial instruments that the Group may utilize to economically hedge the risks inherent in these VIEs. The economic risks associated with VIE exposures held by the Group, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

The Group has not provided financial or other support to consolidated or non-consolidated VIEs that it was not contractually required to provide.

### Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to VIEs, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

Typically, the collateral manager in a managed CDO is deemed to be the entity that has the power to direct the activities that most affect the economics of the entity. In a static CDO this "power" role is more difficult to analyze and may be the sponsor of the entity or the CDS counterparty.

CDOs provide credit risk exposure to a portfolio of ABS (cash CDOs) or a reference portfolio of securities (synthetic CDOs). Cash CDO transactions hold actual securities whereas synthetic CDO transactions use CDS to exchange the underlying credit risk instead of using cash assets. The Group may also act as a derivative counterparty to the VIEs, which are typically not variable interests, and may invest in portions of the notes or equity issued by the VIEs. The CDO entities may have actively managed portfolios or static portfolios.

The securities issued by these VIEs are payable solely from the cash flows of the related collateral, and third-party creditors of these VIEs do not have recourse to the Group in the event of default.

The Group's exposure in CDO transactions is typically limited to interests retained in connection with its underwriting or market-making activities. Unless the Group has been deemed to have "power" over the entity and these interests are potentially significant, the Group is not the primary beneficiary of the vehicle and does not consolidate the entity. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 19 days and 27 days as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated loans or receivables in the consumer sector, including residential mortgages and advance financing receivables, and auto and equipment loans or leases. As of December 31, 2013 and 2012, those assets had an average rating of AA, based on the lowest of each asset's external or internal rating, and an average maturity of 2.1 years and 2.9 years as of December 31, 2013 and 2012, respectively.

The Group's commitment to this CP conduit consists of obligations under liquidity agreements and a program-wide credit enhancement agreement. The liquidity agreements are asset-specific arrangements, which require the Group to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The Group may, at its discretion, purchase assets that fall below investment grade in order to support the CP conduit. In both circumstances, the asset-specific credit enhancements provided by the client seller of the assets and the first-loss investor's respective exposures to those assets remain unchanged. In entering into such agreements, the Group reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit. The program-wide credit enhancement agreement with the CP conduit would absorb potential defaults of the assets, but is senior to the credit protection provided by the client seller of assets and the first-loss investor.

The Group believes that the likelihood of incurring a loss equal to the maximum exposure is remote because the assets held by the CP conduit, after giving effect to related asset-specific credit enhancement primarily provided by the clients, are classified as investment grade. The Group's economic risks associated with the purchased assets of the CP conduit are included in the Group's risk management framework including counterparty, economic capital and scenario analysis.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Group's economic risks associated with consolidated and non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

Financial intermediation consists of securitizations, funds, loans, and other vehicles.

#### Securitizations

Securitizations are primarily CMBS, RMBS and ABS vehicles. The Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to VIEs related to certain securitization transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable interests, if any, plus the exposure arising from any credit enhancements the Group provided. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

The activities that have the most significant impact on the securitization vehicle are the decisions relating to defaulted loans, which are controlled by the servicer. The party that controls the servicing has the ability to make decisions that significantly affect the result of the activities of the securitization vehicle. If a securitization vehicle has multiple parties that control servicing over specific assets, the Group determines it has power when it has control over the servicing of greater than 50% of the assets in the securitization vehicle. When a servicer or its related party also has an economic interest that has the potential to absorb a significant portion of the gains and/or losses, it will be deemed the primary beneficiary and consolidate the vehicle. If the Group determines that it controls the relevant servicing, it then determines if it has the obligation to absorb losses from, or the right to receive benefits of, the securitization vehicle that could potentially be significant to the vehicle, primarily by evaluating the amount and nature of securities issued by the vehicle that it holds. Factors considered in this analysis include the level of subordination of the securities held as well as the size of the position, based on the percentage of the class of securities and the total deal classes of securities issued. The more subordinated the level of securities held, the more likely it is that the Group will be the primary beneficiary. This consolidation analysis is performed each reporting period based on changes in inventory and the levels of assets remaining in the securitization. The Group typically consolidates securitization vehicles when it is the servicer and has holdings stemming from its role as underwriter. Short-term market making holdings in vehicles are not typically considered to be potentially significant for the purposes of this assessment.

In the case of re-securitizations of previously issued RMBS securities, the re-securitization vehicles are passive in nature and do not have any significant ongoing activities that require management, and decisions relating to the design of the securitization transaction at its inception is the key power relating to the vehicle. Activities at inception include selecting the assets and determining the capital structure. The power over a re-securitization vehicle is typically shared between the Group and the investor(s) involved in the design and creation of the vehicle. The Group concludes that it is the primary beneficiary of a re-securitization vehicle when it owns substantially all of the bonds issued from the vehicle.

### Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products where the investors' interest is typically in the form of debt rather than equity, thereby making them VIEs. The Group may have various relationships with such VIEs in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of VIEs in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a VIE holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Group as a result of underwriting or market-making activities, financing provided to the vehicles and the Group's exposure resulting from principal protection and redemptions features. The investors typically retain the risk of loss on such transactions, but for certain fund types, the Group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

Another model is used to assess funds for consolidation under US GAAP. Rather than the consolidation model which incorporates power and the potential to absorb significant risk and rewards, a previous consolidation model is used which results in the Group being the primary beneficiary and consolidating the funds if it holds more than 50% of their outstanding issuances.

### Loans

Loans are single-financing vehicles where the Group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the Group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the Group's exposure. The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, which includes over-collateralization and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The third-party sponsor of the VIE will typically have control over the assets during the life structure and have the potential to absorb significant gains and losses; the Group is typically not the primary beneficiary of these structures and will not have to consolidate them. However, a change in the structure, such as a default of the sponsor, may result in the Group gaining control over the assets. If the Group's lending is significant, it may then be required to consolidate the entity.

### Other

Other includes additional vehicles where the Group provides financing and trust preferred issuance vehicles. Trust preferred issuance vehicles are utilized to assist the Group in raising capital-efficient financing. The VIE issues preference shares which are guaranteed by the Group and uses the proceeds to purchase the debt of the Group. The Group's guarantee of its own debt is not considered a variable interest and, as it has no holdings in these vehicles, the Group has no maximum exposure to loss. Non-consolidated VIEs include only the total assets of trust preferred issuance vehicles, as the Group has no variable interests with these entities.

### Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 2013 and 2012.

**Consolidated VIEs in which the Group was the primary beneficiary**

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 447 | 66 | 513 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 308 | 1,680 | 14,330 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,777** | **3,164** | **27,654** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 153 | 438 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **254** | **1,227** | **18,346** |
| **2012 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,534 | 27 | 0 | 125 | 44 | 20 | 1,750 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 117 | 0 | 0 | 0 | 0 | 117 |
| Trading assets | 1,064 | 196 | 14 | 1,861 | 565 | 997 | 4,697 |
| Investment securities | 0 | 23 | 0 | 0 | 0 | 0 | 23 |
| Other investments | 0 | 0 | 0 | 0 | 1,712 | 577 | 2,289 |
| Net loans | 0 | 4,360 | 859 | 0 | 405 | 429 | 6,053 |
| Premises and equipment | 0 | 0 | 0 | 0 | 509 | 72 | 581 |
| Other assets | 7,369 | 1,637 | 3,111 | 4 | 572 | 1,843 | 14,536 |
| of which loans held-for-sale | 7,324 | 0 | 3,110 | 0 | 71 | 0 | 10,505 |
| **Total assets of consolidated VIEs** | **9,967** | **6,360** | **3,984** | **1,990** | **3,807** | **3,938** | **30,046** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 247 | 247 |
| Trading liabilities | 20 | 0 | 0 | 0 | 4 | 101 | 125 |
| Short-term borrowings | 0 | 5,776 | 0 | 3 | 0 | 3,803 | 9,582 |
| Long-term debt | 9,944 | 14 | 3,608 | 500 | 38 | 428 | 14,532 |
| Other liabilities | 45 | 6 | 97 | 7 | 168 | 905 | 1,228 |
| **Total liabilities of consolidated VIEs** | **10,009** | **5,796** | **3,705** | **510** | **210** | **5,484** | **25,714** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Maximum exposure to loss represents the variable interests of non-consolidated VIEs that are recorded by the Group (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Group in connection with guarantees or derivatives.

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Group has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Group has with the entity and thus are not amounts that are considered for risk management purposes.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

### Non-consolidated VIEs

| | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,812 | 2,856 | 1,282 | 7,565 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,838** | **3,581** | **2,001** | **15,138** |
| **Maximum exposure to loss** | **186** | **7,496** | **4,026** | **7,433** | **2,090** | **21,231** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **19,450** | **217,838** |
| **2012 (CHF million)** | | | | | | |
| Trading assets | 100 | 3,210 | 1,143 | 868 | 600 | 5,921 |
| Net loans | 8 | 111 | 2,148 | 3,572 | 1,668 | 7,507 |
| Other assets | 0 | 17 | 49 | 0 | 4 | 70 |
| **Total variable interest assets** | **108** | **3,338** | **3,340** | **4,440** | **2,272** | **13,498** |
| **Maximum exposure to loss** | **108** | **14,123** | **3,575** | **4,906** | **3,039** | **25,751** |
| **Non-consolidated VIE assets** | **5,163** | **103,990** | **52,268** | **22,304** | **15,491** | **199,216** |

## 34 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:
- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Group regularly monitors the credit risk portfolio by counterparties, industry, country and products to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Group is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Group is diversified. A large portion of the credit exposure is with individual clients, particularly through residential mortgages in Switzerland, or relates to transactions with financial institutions. In both cases, the customer base is extensive and the number and variety of transactions are broad. For transactions with financial institutions, the business is also geographically diverse, with operations focused in the Americas, Europe and, to a lesser extent, Asia Pacific.

## FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets, and the impact of changes in the Group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2*:* Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilized. Fair value measurements are not adjusted for transaction costs.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,218 | 5,069 | 0 | 110,116 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,268 | 2,128 | 0 | 26,410 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,322 | 5,778 | 595 | 0 | 76,695 |
| Derivatives | 6,610 | 563,649 | 5,217 | (543,873) | 31,603 |
| of which interest rate products | 1,065 | 444,056 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,807 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,763 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,691 | 4,479 | 2,829 | 0 | 10,999 |
| Trading assets | 122,452 | 637,124 | 13,710 | (543,873) | 229,413 |
| Debt | 1,788 | 1,098 | 0 | 0 | 2,886 |
| of which foreign governments | 1,386 | 2 | 0 | 0 | 1,388 |
| of which corporates | 0 | 606 | 0 | 0 | 606 |
| of which CDO | 0 | 490 | 0 | 0 | 490 |
| Equity | 2 | 97 | 2 | 0 | 101 |
| Investment securities | 1,790 | 1,195 | 2 | 0 | 2,987 |
| Private equity | 0 | 0 | 3,345 | 0 | 3,345 |
| of which equity funds | 0 | 0 | 2,236 | 0 | 2,236 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,630 | 0 | 1,645 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,969 | 0 | 7,596 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,530 | 6,159 | (1,032) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **150,484** | **770,575** | **35,084** | **(544,905)** | **411,238** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **150,238** | **761,430** | **29,845** | **(544,905)** | **396,608** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

### Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,450 | 0 | 0 | 1,450 |
| Customer deposits | 0 | 3,197 | 55 | 0 | 3,252 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,311 | 2 | 0 | 24,350 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,130 | 2 | 0 | 4,133 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,444 | 5,545 | (547,385) | 36,483 |
| of which interest rate products | 896 | 439,446 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,547 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,622 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,064 | 5,564 | (547,385) | 76,635 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 53,589 | 9,780 | 0 | 63,369 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,679 | 6,217 | 0 | 26,896 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,511 | 2,861 | (399) | 21,973 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **739,391** | **18,539** | **(547,784)** | **271,636** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 569 | 0 | 0 | 569 |
| Interest-bearing deposits with banks | 0 | 627 | 0 | 0 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 113,664 | 0 | 0 | 113,664 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 55,592 | 74,391 | 5,888 | 0 | 135,871 |
| of which foreign governments | 53,918 | 11,032 | 79 | 0 | 65,029 |
| of which corporates | 1 | 25,932 | 3,192 | 0 | 29,125 |
| of which RMBS | 0 | 30,392 | 724 | 0 | 31,116 |
| of which CMBS | 0 | 4,335 | 1,023 | 0 | 5,358 |
| of which CDO | 0 | 2,620 | 447 | 0 | 3,067 |
| Equity | 66,664 | 7,746 | 485 | 0 | 74,895 |
| Derivatives | 3,428 | 823,016 | 6,650 | (799,886) | 33,208 |
| of which interest rate products | 703 | 698,297 | 1,859 | – | – |
| of which foreign exchange products | 1 | 62,717 | 754 | – | – |
| of which equity/index-related products | 2,538 | 25,820 | 1,920 | – | – |
| of which credit derivatives | 0 | 29,274 | 1,294 | – | – |
| Other | 7,203 | 2,736 | 2,486 | 0 | 12,425 |
| Trading assets | 132,887 | 907,889 | 15,509 | (799,886) | 256,399 |
| Debt | 2,066 | 1,168 | 169 | 0 | 3,403 |
| of which foreign governments | 1,583 | 1 | 21 | 0 | 1,605 |
| of which corporates | 0 | 720 | 125 | 0 | 845 |
| of which CDO | 0 | 447 | 23 | 0 | 470 |
| Equity | 4 | 90 | 1 | 0 | 95 |
| Investment securities | 2,070 | 1,258 | 170 | 0 | 3,498 |
| Private equity | 0 | 0 | 3,958 | 0 | 3,958 |
| of which equity funds | 0 | 0 | 2,633 | 0 | 2,633 |
| Hedge funds | 0 | 470 | 165 | 0 | 635 |
| of which debt funds | 0 | 349 | 84 | 0 | 433 |
| Other equity investments | 271 | 69 | 2,243 | 0 | 2,583 |
| of which private | 0 | 61 | 2,245 | 0 | 2,306 |
| Life finance instruments | 0 | 0 | 1,818 | 0 | 1,818 |
| Other investments | 271 | 539 | 8,184 | 0 | 8,994 |
| Loans | 0 | 13,381 | 6,619 | 0 | 20,000 |
| of which commercial and industrial loans | 0 | 6,191 | 4,778 | 0 | 10,969 |
| of which financial institutions | 0 | 5,934 | 1,530 | 0 | 7,464 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 43 | 0 | 43 |
| Other assets | 5,439 | 26,912 | 5,164 | (240) | 37,275 |
| of which loans held-for-sale | 0 | 14,899 | 4,463 | 0 | 19,362 |
| **Total assets at fair value** | **170,344** | **1,065,207** | **35,689** | **(800,126)** | **471,114** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (240) | (99) | (3,292) | 0 | (3,631) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,769) | (2,745) | 0 | (11,514) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **170,104** | **1,056,339** | **29,652** | **(800,126)** | **455,969** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

### Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 3,413 | 0 | 0 | 3,413 |
| Customer deposits | 0 | 4,618 | 25 | 0 | 4,643 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 108,784 | 0 | 0 | 108,784 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Obligation to return securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 25,782 | 7,014 | 196 | 0 | 32,992 |
| of which foreign governments | 25,623 | 1,476 | 0 | 0 | 27,099 |
| of which corporates | 0 | 5,030 | 196 | 0 | 5,226 |
| Equity | 17,912 | 389 | 6 | 0 | 18,307 |
| Derivatives | 3,173 | 834,228 | 5,154 | (803,038) | 39,517 |
| of which interest rate products | 628 | 693,430 | 1,357 | – | – |
| of which foreign exchange products | 1 | 76,963 | 1,648 | – | – |
| of which equity/index-related products | 2,305 | 27,684 | 1,003 | – | – |
| of which credit derivatives | 0 | 28,952 | 819 | – | – |
| Trading liabilities | 46,867 | 841,631 | 5,356 | (803,038) | 90,816 |
| Short-term borrowings | 0 | 4,389 | 124 | 0 | 4,513 |
| Long-term debt | 218 | 55,068 | 10,098 | 0 | 65,384 |
| of which treasury debt over two years | 0 | 10,565 | 0 | 0 | 10,565 |
| of which structured notes over two years | 0 | 22,543 | 6,189 | 0 | 28,732 |
| of which non-recourse liabilities | 218 | 11,006 | 2,551 | 0 | 13,775 |
| Other liabilities | 0 | 24,399 | 2,848 | (376) | 26,871 |
| of which failed sales | 0 | 2,523 | 1,160 | 0 | 3,683 |
| **Total liabilities at fair value** | **76,762** | **1,042,670** | **18,451** | **(803,414)** | **334,469** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2013, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in exchange traded derivatives as they moved closer to maturity and pricing inputs became more observable. Transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity as suitable closing prices were unobtainable as of the end of 2013.

### Transfers between level 1 and level 2

| | **2013** | | 2012 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 499 | 92 | 318 | 23,632 |
| Equity | 437 | 183 | 209 | 650 |
| Derivatives | 5,090 | 2 | 5,510 | 20 |
| **Trading assets** | **6,026** | **277** | **6,037** | **24,302** |
| **Liabilities (CHF million)** | | | | |
| Debt | 11 | 18 | 87 | 34 |
| Equity | 248 | 17 | 100 | 226 |
| Derivatives | 4,433 | 11 | 6,441 | 72 |
| **Trading liabilities** | **4,692** | **46** | **6,628** | **332** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 2013 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 0 | 0 | 0 |
| Debt | 5,888 | 1,418 | (1,977) | 6,363 |
| of which corporates | 3,192 | 571 | (552) | 1,759 |
| of which RMBS | 724 | 467 | (690) | 1,012 |
| of which CMBS | 1,023 | 86 | (310) | 497 |
| of which CDO | 447 | 55 | (357) | 3,072 |
| Equity | 485 | 303 | (237) | 405 |
| Derivatives | 6,650 | 1,442 | (2,208) | 0 |
| of which interest rate products | 1,859 | 244 | (363) | 0 |
| of which equity/index-related products | 1,920 | 223 | (1,020) | 0 |
| of which credit derivatives | 1,294 | 923 | (633) | 0 |
| Other | 2,486 | 288 | (487) | 3,266 |
| Trading assets | 15,509 | 3,451 | (4,909) | 10,034 |
| Investment securities | 170 | 0 | (230) | 165 |
| Equity | 6,366 | 106 | (63) | 1,526 |
| Life finance instruments | 1,818 | 0 | 0 | 189 |
| Other investments | 8,184 | 106 | (63) | 1,715 |
| Loans | 6,619 | 320 | (1,561) | 800 |
| of which commercial and industrial loans | 4,778 | 305 | (315) | 727 |
| of which financial institutions | 1,530 | 15 | (6) | 71 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 12 |
| Other assets | 5,164 | 3,552 | (2,998) | 4,781 |
| of which loans held-for-sale [2] | 4,463 | 3,539 | (2,918) | 4,456 |
| **Total assets at fair value** | **35,689** | **7,429** | **(9,761)** | **17,507** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,503 | (1,537) | 66 |
| of which interest rate derivatives | 1,357 | 75 | (134) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (21) | 0 |
| of which equity/index-related derivatives | 1,003 | 360 | (676) | 0 |
| of which credit derivatives | 819 | 1,001 | (590) | 0 |
| Short-term borrowings | 124 | 43 | (99) | 0 |
| Long-term debt | 10,098 | 2,322 | (2,375) | 0 |
| of which structured notes over two years | 6,189 | 453 | (1,226) | 0 |
| of which non-recourse liabilities | 2,551 | 1,836 | (670) | 0 |
| Other liabilities | 2,848 | 227 | (149) | 213 |
| of which failed sales | 1,160 | 176 | (82) | 154 |
| **Total liabilities at fair value** | **18,451** | **4,095** | **(4,160)** | **279** |
| **Net assets/(liabilities) at fair value** | **17,238** | **3,334** | **(5,601)** | **17,228** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized gains recorded in trading revenues of CHF 238 million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 362 | (153) | 0 | 4 | 0 | 0 | (9) | 204 |
| (7,043) | 0 | 0 | 165 | 465 | 0 | 0 | (210) | 5,069 |
| (3,022) | 0 | 0 | 109 | 157 | 0 | 0 | (86) | 2,128 |
| (1,162) | 0 | 0 | 11 | 91 | 0 | 0 | (17) | 436 |
| (866) | 0 | 0 | (4) | 15 | 0 | 0 | (24) | 417 |
| (1,810) | 0 | 0 | 36 | 197 | 0 | 0 | (73) | 1,567 |
| (431) | 0 | 0 | 20 | 68 | (1) | 0 | (17) | 595 |
| 0 | 1,766 | (2,446) | 230 | (53) | 0 | 0 | (164) | 5,217 |
| 0 | 279 | (663) | 8 | 249 | 0 | 0 | (39) | 1,574 |
| 0 | 207 | (538) | 184 | 330 | 0 | 0 | (66) | 1,240 |
| 0 | 627 | (631) | 38 | (461) | 0 | 0 | (19) | 1,138 |
| (2,656) | 0 | (65) | 8 | 83 | 0 | 0 | (94) | 2,829 |
| (10,130) | 1,766 | (2,511) | 423 | 563 | (1) | 0 | (485) | 13,710 |
| (82) | 0 | 0 | 0 | 9 | 0 | 0 | (30) | 2 |
| (3,220) | 0 | 0 | 0 | (3) | 0 | 791 | (134) | 5,369 |
| (365) | 0 | 0 | 0 | 1 | 0 | 0 | (43) | 1,600 |
| (3,585) | 0 | 0 | 0 | (2) | 0 | 791 | (177) | 6,969 |
| (1,673) | 6,767 | (2,920) | 0 | (21) | 0 | 0 | (333) | 7,998 |
| (1,280) | 3,541 | (2,171) | 1 | (85) | 0 | 0 | (192) | 5,309 |
| (207) | 651 | (650) | 0 | (48) | 0 | 0 | (34) | 1,322 |
| 0 | 0 | 0 | 0 | 0 | 0 | (12) | (1) | 42 |
| (4,213) | 1,034 | (1,148) | 5 | 199 | 0 | 0 | (217) | 6,159 |
| (3,964) | 1,034 | (1,147) | 5 | 348 | 0 | 0 | (201) | 5,615 |
| **(19,683)** | **9,929** | **(6,732)** | **428** | **752** | **(1)** | **779** | **(1,252)** | **35,084** |
| | | | | | | | | |
| 0 | 51 | (3) | 0 | (13) | 0 | 0 | (5) | 55 |
| 0 | 119 | 0 | 0 | 0 | 0 | 0 | (5) | 114 |
| (197) | 1,561 | (2,556) | 235 | 1,302 | 0 | 0 | (169) | 5,564 |
| 0 | 107 | (508) | 10 | 254 | 0 | 0 | (32) | 1,129 |
| 0 | 15 | (662) | (16) | (21) | 0 | 0 | (18) | 938 |
| 0 | 632 | (380) | 210 | 831 | 0 | 0 | (84) | 1,896 |
| 0 | 655 | (856) | 39 | 186 | 0 | 0 | (24) | 1,230 |
| 0 | 318 | (216) | 0 | 3 | 0 | 0 | (8) | 165 |
| 0 | 5,006 | (5,330) | 25 | 321 | 0 | (1) | (286) | 9,780 |
| 0 | 3,602 | (2,534) | (18) | (36) | 0 | (1) | (212) | 6,217 |
| 0 | 818 | (2,128) | 24 | 151 | 0 | 0 | (30) | 2,552 |
| (393) | 10 | (86) | (17) | 70 | 26 | 217 | (105) | 2,861 |
| (308) | 0 | 0 | 0 | 72 | 0 | 0 | (29) | 1,143 |
| **(590)** | **7,065** | **(8,191)** | **243** | **1,683** | **26** | **216** | **(578)** | **18,539** |
| **(19,093)** | **2,864** | **1,459** | **185** | **(931)** | **(27)** | **563** | **(674)** | **16,545** |

**Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)**

| 2012 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,204 | 0 | 0 | 0 |
| Securities received as collateral | 193 | 0 | (188) | 0 |
| Debt | 10,028 | 2,312 | (5,035) | 7,479 |
| of which corporates | 5,076 | 1,113 | (3,609) | 5,210 |
| of which RMBS | 1,786 | 831 | (958) | 937 |
| of which CMBS | 1,517 | 188 | (262) | 664 |
| of which CDO | 727 | 158 | (121) | 483 |
| Equity | 467 | 419 | (100) | 377 |
| Derivatives | 9,587 | 1,465 | (2,175) | 0 |
| of which interest rate products | 2,547 | 168 | (686) | 0 |
| of which equity/index-related products | 2,732 | 681 | (844) | 0 |
| of which credit derivatives | 2,171 | 592 | (544) | 0 |
| Other | 2,196 | 179 | (366) | 2,842 |
| Trading assets | 22,278 | 4,375 | (7,676) | 10,698 |
| Investment securities | 102 | 0 | 0 | 94 |
| Equity | 7,076 | 4 | (61) | 880 |
| Life finance instruments | 1,969 | 0 | 0 | 102 |
| Other investments | 9,045 | 4 | (61) | 982 |
| Loans | 6,842 | 605 | (642) | 509 |
| of which commercial and industrial loans | 4,559 | 537 | (391) | 275 |
| of which financial institutions | 2,179 | 64 | (248) | 218 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 11 |
| Other assets | 7,469 | 2,509 | (2,949) | 3,007 |
| of which loans held-for-sale | 6,901 | 2,471 | (2,948) | 2,801 |
| **Total assets at fair value** | **47,203** | **7,493** | **(11,516)** | **15,301** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 0 | 0 | 0 | 0 |
| Obligation to return securities received as collateral | 193 | 0 | (188) | 0 |
| Trading liabilities | 7,343 | 1,294 | (1,783) | 94 |
| of which interest rate derivatives | 1,588 | 230 | (754) | 0 |
| of which foreign exchange derivatives | 2,836 | 3 | (178) | 0 |
| of which equity/index-related derivatives | 1,022 | 132 | (262) | 0 |
| of which credit derivatives | 1,520 | 700 | (571) | 0 |
| Short-term borrowings | 236 | 23 | (96) | 0 |
| Long-term debt | 12,715 | 2,616 | (4,044) | 0 |
| of which structured notes over two years | 7,576 | 789 | (1,668) | 0 |
| of which non-recourse liabilities | 3,585 | 1,701 | (2,225) | 0 |
| Other liabilities | 3,891 | 246 | (315) | 321 |
| of which failed sales | 1,909 | 136 | (47) | 302 |
| **Total liabilities at fair value** | **24,378** | **4,179** | **(6,426)** | **415** |
| **Net assets/(liabilities) at fair value** | **22,825** | **3,314** | **(5,090)** | **14,886** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 0 | (1,174) | 0 | (28) | 0 | 0 | (2) | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (8,826) | 0 | 0 | 72 | 129 | (4) | 0 | (267) | 5,888 |
| (4,745) | 0 | 0 | 49 | 278 | (4) | 0 | (176) | 3,192 |
| (1,924) | 0 | 0 | 18 | 60 | 0 | 0 | (26) | 724 |
| (809) | 0 | 0 | (4) | (228) | 0 | 0 | (43) | 1,023 |
| (851) | 0 | 0 | (4) | 67 | 0 | 0 | (12) | 447 |
| (611) | 0 | 0 | 0 | (63) | 0 | 0 | (4) | 485 |
| 0 | 1,007 | (3,262) | 60 | 163 | 0 | 0 | (195) | 6,650 |
| 0 | 303 | (976) | 47 | 515 | 0 | 0 | (59) | 1,859 |
| 0 | 346 | (844) | (31) | (56) | 0 | 0 | (64) | 1,920 |
| 0 | 161 | (914) | 43 | (179) | 0 | 0 | (36) | 1,294 |
| (2,290) | 0 | 0 | 2 | (3) | 0 | 0 | (74) | 2,486 |
| (11,727) | 1,007 | (3,262) | 134 | 226 | (4) | 0 | (540) | 15,509 |
| (17) | 0 | 0 | 0 | 0 | 0 | 0 | (9) | 170 |
| (1,918) | 0 | 0 | 0 | 2 | 0 | 567 | (184) | 6,366 |
| (274) | 0 | 0 | 0 | 72 | 0 | 0 | (51) | 1,818 |
| (2,192) | 0 | 0 | 0 | 74 | 0 | 567 | (235) | 8,184 |
| (1,286) | 4,490 | (3,473) | 15 | (250) | 0 | 0 | (191) | 6,619 |
| (469) | 3,084 | (2,773) | 15 | 76 | 0 | 0 | (135) | 4,778 |
| (745) | 1,078 | (672) | (1) | (293) | 0 | 0 | (50) | 1,530 |
| (16) | 0 | 0 | 0 | 0 | 0 | (20) | (2) | 43 |
| (3,356) | 298 | (2,319) | 128 | 580 | 0 | 0 | (203) | 5,164 |
| (3,182) | 298 | (2,319) | 127 | 486 | 0 | 0 | (172) | 4,463 |
| **(18,594)** | **5,795** | **(10,228)** | **277** | **602** | **(4)** | **547** | **(1,187)** | **35,689** |
| | | | | | | | | |
| 0 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 25 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (346) | 853 | (2,599) | 151 | 505 | 0 | 0 | (156) | 5,356 |
| 0 | 115 | (194) | 75 | 340 | 0 | 0 | (43) | 1,357 |
| 0 | 1 | (1,037) | 24 | 48 | 0 | 0 | (49) | 1,648 |
| 0 | 537 | (315) | (16) | (61) | 0 | 0 | (34) | 1,003 |
| 0 | 88 | (939) | 79 | (36) | 0 | 0 | (22) | 819 |
| 0 | 288 | (332) | (3) | 14 | 0 | 0 | (6) | 124 |
| 0 | 4,015 | (6,043) | 182 | 989 | (4) | 0 | (328) | 10,098 |
| 0 | 1,925 | (2,867) | 32 | 604 | (4) | 0 | (198) | 6,189 |
| 0 | 1,473 | (2,312) | 144 | 275 | 0 | 0 | (90) | 2,551 |
| (1,322) | 2 | (219) | (15) | 74 | 0 | 279 | (94) | 2,848 |
| (1,260) | 0 | 0 | 0 | 153 | 0 | 0 | (33) | 1,160 |
| **(1,668)** | **5,183** | **(9,193)** | **315** | **1,582** | **(4)** | **279** | **(589)** | **18,451** |
| **(16,926)** | **612** | **(1,035)** | **(38)** | **(980)** | **0** | **268** | **(598)** | **17,238** |

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (746) | 536 | **(210)** [1] | (1,018) | 268 | **(750)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (2,850) | 414 | **(2,436)** | (1,209) | (82) | **(1,291)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

#### Transfers in and out of level 3

Transfers into level 3 assets during 2013 were CHF 7,429 million, primarily from loans held-for-sale and trading assets. The transfers were primarily in the corporate credit, private equity and prime services businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2013 were CHF 9,761 million, primarily in trading assets, loans held-for-sale and loans. The transfers out of level 3 assets were primarily in the Brazil trading, private equity, corporate credit, prime services, rates and equity derivatives businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 2012 were CHF 7,493 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the equity derivatives, private equity, corporate credit, corporate bank and securitized products (consolidated SPE positions) businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2012 were CHF 11,516 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the equity derivatives, private equity, securitized products (consolidated SPE positions), corporate credit, rates and CMBS businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

#### Qualitative disclosures of valuation techniques

##### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever

possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. Significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

### Debt securities

#### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

## Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, discount rate and capitalization rate.

## Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralized OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability.

Generally, the interrelationship between the volatility and correlation is positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are

valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

#### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

### Other investments

#### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs. Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spread, contingent probability and EBITDA multiple. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

#### Life finance instruments

Life finance instruments include SPIA and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, recovery rate, price, volatility, volatility skew, contingent probability and market implied life expectancy (for life settlement and premium finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of capitalization rate, default rate, discount rate, funding spread, loss severity, prepayment rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable inputs basis spread, mean reversion and skew would decrease the fair value. An increase in the significant unobservable input gap risk would increase the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the range of minimum and maximum values of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| CHF million, except where indicated | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,345 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,630 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,969 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,084** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

### Quantitative information about level 3 assets at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Debt | 5,888 | | | | |
| of which corporates | 3,192 | | | | |
| of which | 754 | Option model | Correlation, in % | (87) | 97 |
| | | | Buyback probability, in % [1] | 50 | 100 |
| of which | 797 | Market comparable | Price, in % | 0 | 146 |
| of which | 1,231 | Discounted cash flow | Credit spread, in bp | 0 | 2,439 |
| of which RMBS | 724 | Discounted cash flow | Discount rate, in % | 2 | 50 |
| | | | Prepayment rate, in % | 0 | 55 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which CMBS | 1,023 | Discounted cash flow | Capitalization rate, in % | 5 | 12 |
| | | | Internal rate of return, in % | 9 | 15 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 10 |
| | | | Default rate, in % | 0 | 40 |
| | | | Loss severity, in % | 0 | 90 |
| of which CDO | 447 | | | | |
| of which | 193 | Vendor price | Price, in % | 0 | 102 |
| of which | 123 | Discounted cash flow | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 40 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which | 78 | Market comparable | Price, in % | 80 | 93 |

[1] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Equity | 485 | | | | |
| of which | 237 | Market comparable | EBITDA multiple | 3 | 12 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 |
| Derivatives | 6,650 | | | | |
| of which interest rate products | 1,859 | Option model | Correlation, in % | 17 | 100 |
| | | | Prepayment rate, in % | 2 | 45 |
| | | | Volatility, in % | (5) | 31 |
| | | | Credit spread, in bp | 34 | 157 |
| of which equity/index-related products | 1,920 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| of which credit derivatives | 1,294 | Discounted cash flow | Credit spread, in bp | 1 | 5,843 |
| | | | Recovery rate, in % | 0 | 75 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 30 | 97 |
| | | | Prepayment rate, in % | 0 | 40 |
| Other | 2,486 | | | | |
| of which | 1,891 | Market comparable | Price, in % | 0 | 103 |
| of which | 564 | Discounted cash flow | Life expectancy, in years | 4 | 20 |
| Trading assets | 15,509 | | | | |
| Investment securities | 170 | – | – | – | – |
| Private equity | 3,958 | –[1] | –[1] | –[1] | –[1] |
| Hedge funds | 165 | –[1] | –[1] | –[1] | –[1] |
| Other equity investments | 2,243 | | | | |
| of which private | 2,245 | | | | |
| of which | 759 | Discounted cash flow | Credit spread, in bp | 1,070 | 2,049 |
| | | | Contingent probability, in % | 50 | 50 |
| of which | 903 | Market comparable | EBITDA multiple | 2 | 13 |
| Life finance instruments | 1,818 | Discounted cash flow | Life expectancy, in years | 1 | 23 |
| Other investments | 8,184 | | | | |
| Loans | 6,619 | | | | |
| of which commercial and industrial loans | 4,778 | Discounted cash flow | Credit spread, in bp | 0 | 2,763 |
| of which financial institutions | 1,530 | Discounted cash flow | Credit spread, in bp | 0 | 888 |
| Other intangible assets (mortgage servicing rights) | 43 | – | – | – | – |
| Other assets | 5,164 | | | | |
| of which loans held-for-sale | 4,463 | | | | |
| of which | 2,031 | Vendor price | Price, in % | 0 | 103 |
| of which | 328 | Discounted cash flow | Credit spread, in bp | 20 | 1,458 |
| of which | 2,009 | Market comparable | Price, in % | 0 | 115 |
| **Total level 3 assets at fair value** | **35,689** | | | | |

[1] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,861 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,539** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Management's best estimate of the speed at which interest rates will revert to the long-term average.
3 Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
4 Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

**Quantitative information about level 3 liabilities at fair value (continued)**

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Customer deposits | 25 | – | – | – | – |
| Trading liabilities | 5,356 | | | | |
| of which interest rate derivatives | 1,357 | Option model | Basis spread, in bp | (28) | 54 |
| | | | Correlation, in % | 17 | 100 |
| | | | Mean reversion, in % [1] | (33) | 5 |
| | | | Prepayment rate, in % | 4 | 45 |
| of which foreign exchange derivatives | 1,648 | Option model | Correlation, in % | (10) | 70 |
| | | | Prepayment rate, in % | 4 | 22 |
| of which equity/index-related derivatives | 1,003 | Option model | Correlation, in % | (87) | 97 |
| | | | Skew, in % | 56 | 128 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 4 |
| of which credit derivatives | 819 | Discounted cash flow | Credit spread, in bp | 0 | 5,843 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Recovery rate, in % | 0 | 77 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 0 | 47 |
| | | | Prepayment rate, in % | 0 | 40 |
| Short-term borrowings | 124 | – | – | – | – |
| Long-term debt | 10,098 | | | | |
| of which structured notes over two years | 6,189 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 12 |
| of which non-recourse liabilities | 2,551 | | | | |
| of which | 2,255 | Vendor price | Price, in % | 0 | 103 |
| of which | 230 | Market comparable | Price, in % | 0 | 87 |
| Other liabilities | 2,848 | | | | |
| of which failed sales | 1,160 | | | | |
| of which | 646 | Market comparable | Price, in % | 0 | 100 |
| of which | 290 | Discounted cash flow | Credit spread, in bp | 0 | 1,532 |
| **Total level 3 liabilities at fair value** | **18,451** | | | | |

[1] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

## Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest, while the higher end of the range relates collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

## Fair value, unfunded commitments and term of redemption conditions

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 1 | 18 | 19 | 0 | 127 | 38 | 165 | 0 |
| Equity funds | 28 | 3,096 [1] | 3,124 | 0 | 52 | 3,810 [2] | 3,862 | 0 |
| Equity funds sold short | 0 | (17) | (17) | 0 | 0 | (111) | (111) | 0 |
| Total funds held in trading assets and liabilities | 29 | 3,097 | 3,126 | 0 | 179 | 3,737 | 3,916 | 0 |
| Debt funds | 320 | 183 | 503 | 6 | 69 | 364 | 433 | 157 |
| Equity funds | 0 | 25 | 25 | 0 | 3 | 43 | 46 | 0 |
| Others | 0 | 153 | 153 | 31 | 3 | 153 | 156 | 46 |
| Hedge funds | 320 | 361 [3] | 681 | 37 | 75 | 560 [4] | 635 | 203 |
| Debt funds | 53 | 0 | 53 | 2 | 97 | 0 | 97 | 17 |
| Equity funds | 2,236 | 0 | 2,236 | 464 | 2,633 | 0 | 2,633 | 724 |
| Real estate funds | 350 | 0 | 350 | 110 | 382 | 0 | 382 | 131 |
| Others | 706 | 0 | 706 | 250 | 846 | 0 | 846 | 198 |
| Private equities | 3,345 | 0 | 3,345 | 826 | 3,958 | 0 | 3,958 | 1,070 |
| Equity method investments | 349 | 0 | 349 | 0 | 385 | 0 | 385 | 0 |
| Total funds held in other investments | 4,014 | 361 | 4,375 | 863 | 4,418 | 560 | 4,978 | 1,273 |
| **Total fair value** | **4,043** [5] | **3,458** [6] | **7,501** | **863** [7] | **4,597** [5] | **4,297** [6] | **8,894** | **1,273** [7] |

[1] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 1,819 million and CHF 1,958 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[6] Includes CHF 107 million and CHF 107 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[7] Includes CHF 405 million and CHF 418 million attributable to noncontrolling interests in 2013 and 2012, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

## Nonrecurring fair value changes

| end of | 2013 | 2012 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.5** |
| of which level 3 | 0.3 | 0.5 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

The Group elected fair value for certain of its financial statement captions as follows:

**Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions**

The Group has elected to account for structured resale agreements and most matched book resale agreements at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

**Other investments**

The Group has elected to account for certain equity method investments at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Certain similar instruments, such as those relating to equity method investments in strategic relationships, for example, the Group's ownership interest in certain clearance organizations, which were eligible for the fair value option, were not elected due to the strategic relationship.

**Loans**

The Group has elected to account for substantially all Investment Banking commercial loans and loan commitments and certain Investment Banking emerging market loans at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. Additionally, recognition on a fair value basis eliminates the mismatch that existed due to the economic hedging the Group employs to manage these loans. Certain similar loans, such as project finance, lease finance, cash collateralized and some bridge loans, which were eligible for the fair value option, were not elected due to the lack of currently available infrastructure to fair value such loans and/or the inability to economically hedge such loans. Additionally, the Group elected not to account for loans granted by its Private Banking & Wealth Management segment at fair value, such as domestic consumer lending, mortgages and corporate loans, as these loans are not managed on a fair value basis.

**Other assets**

The Group elected the fair value option for loans held-for-sale, due to the short period over which such loans are held and the intention to sell such loans in the near term. Other assets also include assets of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

**Due to banks**

The Group elected the fair value option for certain time deposits associated with its emerging markets activities.

**Customer deposits**

The Group's customer deposits include fund-linked deposits. The Group elected the fair value option for these fund-linked deposits. Fund-linked products are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes.

**Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions**

The Group has elected to account for structured repurchase agreements and most matched book repurchase agreements at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing repurchase agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

**Short-term borrowings**

The Group's short-term borrowings include hybrid debt instruments with embedded derivative features. Some of these embedded derivative features create bifurcatable debt instruments. The Group elected the fair value option for some of these instruments as of January 1, 2006, in accordance with the provisions of US GAAP. New bifurcatable debt instruments which were entered into in 2006 are carried at fair value. Some hybrid debt instruments do not result in bifurcatable debt instruments. US GAAP permits the Group to elect fair value accounting for non-bifurcatable hybrid debt instruments. With the exception of certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value, the Group has elected to account for all hybrid debt instruments held as of January 1, 2007, and hybrid debt instruments originated after January 1, 2007, at fair value. These activities are managed on a fair value basis and fair value accounting was deemed appropriate for reporting purposes. There are two main populations of similar instruments for which fair value accounting was not elected. The first relates to the lending business transacted by the Group's Private Banking & Wealth Management segment, which includes structured deposits and similar investment products. These are managed on a bifurcated or accrual basis and fair value accounting was not considered appropriate. The second is where the instruments were or will be maturing in the near term and their fair value will be realized at that time.

**Long-term debt**

The Group's long-term debt includes hybrid debt instruments with embedded derivative features as described above in Short-term borrowings. The Group's long-term debt also includes debt issuances managed by its Treasury department that do not contain derivative features (vanilla debt). The Group actively manages the interest rate risk on these instruments with derivatives. In particular, fixed-rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed-rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008, and instead applies hedge accounting per the guidance of US GAAP.

**Other liabilities**

Other liabilities include liabilities of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

**Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments**

| | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 956 | 3,262 | (2,306) | 920 | 3,810 | (2,890) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 311 | 307 | 4 | 627 | 615 | 12 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 96,587 | 96,217 | 370 | 113,664 | 113,196 | 468 |
| Loans | 19,457 | 19,653 | (196) | 20,000 | 20,278 | (278) |
| Other assets [1] | 20,749 | 25,756 | (5,007) | 22,060 | 29,787 | (7,727) |
| Due to banks and customer deposits | (690) | (680) | (10) | (531) | (493) | (38) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (76,104) | (76,012) | (92) | (108,784) | (108,701) | (83) |
| Short-term borrowings | (6,053) | (5,896) | (157) | (4,513) | (4,339) | (174) |
| Long-term debt | (63,369) | (62,991) | (378) | (65,384) | (66,998) | 1,614 |
| Other liabilities | (1,780) | (3,285) | 1,505 | (3,683) | (6,186) | 2,503 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2013 Net gains/ (losses) | 2012 Net gains/ (losses) | 2011 Net gains/ (losses) |
|---|---|---|---|
| **Financial instruments (CHF million)** | | | |
| Cash and due from banks | 0 | (13) [2] | – |
| of which related to credit risk | 0 | (13) | – |
| Interest-bearing deposits with banks | 10 [1] | 12 [1] | 0 |
| of which related to credit risk | (3) | 3 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,143 [1] | 1,183 [1] | 1,698 [1] |
| Other trading assets | 0 | 10 [2] | 10 [2] |
| Other investments | 126 [3] | 144 [3] | 196 [2] |
| of which related to credit risk | 11 | 34 | (14) |
| Loans | 1,470 [1] | 925 [1] | (1,105) [2] |
| of which related to credit risk | 26 | 318 | (256) |
| Other assets | 2,058 [1] | 2,641 [1] | 476 [1] |
| of which related to credit risk | 604 | 355 | (332) |
| Due to banks and customer deposits | 0 | (22) [1] | (2) [1] |
| of which related to credit risk | (5) | 8 | 45 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (67) [1] | (114) [1] | (575) [1] |
| Short-term borrowings | (256) [2] | (350) [2] | 91 [2] |
| of which related to credit risk [4] | 0 | 0 | (2) |
| Long-term debt | (2,759) [2] | (7,905) [2] | 2,342 [2] |
| of which related to credit risk [4] | (384) | (2,552) | 1,909 |
| Other liabilities | 441 [2] | 826 [2] | (286) [2] |
| of which related to credit risk | 112 | 912 | (348) |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (268) million and CHF (111) million in 2013, respectively, CHF (1,663) million and CHF (931) million in 2012, respectively, and CHF 1,210 million and CHF 697 million in 2011, respectively.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the consolidated statements of operations depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, it is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the component of the total change in fair value, excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in the Group's own credit spreads from the transition date to the reporting date.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| end of | Carrying value | Level 1 | Level 2 | Level 3 | Fair value Total |
|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,435 | 0 | 62,891 | 544 | 63,435 |
| Loans | 223,902 | 0 | 225,641 | 3,940 | 229,581 |
| Other financial assets [1] | 142,656 | 72,134 | 69,310 | 1,568 | 143,012 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 351,476 | 212,418 | 138,980 | 9 | 351,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 66,673 | 0 | 64,043 | 3,774 | 67,817 |
| Other financial liabilities [2] | 96,611 | 1,129 | 94,414 | 1,085 | 96,628 |
| **2012 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 69,791 | 0 | 69,764 | 27 | 69,791 |
| Loans | 218,281 | 0 | 221,030 | 4,482 | 225,512 |
| Other financial assets [1] | 132,147 | 63,900 | 66,798 | 1,772 | 132,470 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 331,270 | 200,838 | 130,313 | 9 | 331,160 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 23,937 | 0 | 23,939 | 0 | 23,939 |
| Short-term borrowings | 14,128 | 0 | 14,131 | 0 | 14,131 |
| Long-term debt | 82,750 | 0 | 79,846 | 4,546 | 84,392 |
| Other financial liabilities [2] | 89,361 | 0 | 88,121 | 1,171 | 89,292 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 35 Assets pledged and collateral

### Assets pledged

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 2013 | 2012 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 142,952 | 151,419 |
| of which encumbered | 92,300 | 90,745 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2013 | 2012 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 359,517 | 402,793 |
| of which sold or repledged | 267,896 | 292,514 |

### Other information

| end of | 2013 | 2012 |
|---|---|---|
| **Other information (CHF million)** | | |
| Cash and securities restricted under foreign banking regulations | 18,130 | 14,340 |
| Swiss National Bank required minimum liquidity reserves | 2,447 | 2,441 |

## 36 Capital adequacy

The Group is subject to regulation by FINMA. The capital levels of the Group are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Group has operated under the international capital adequacy standards known as Basel III set forth by the BCBS. These standards have affected the measurement of both total eligible capital and risk-weighted assets. The Group has based its capital adequacy calculations on US GAAP, as permitted by FINMA Circular 2008/34.

According to FINMA and Bank for International Settlements (BIS) capital requirements, total regulatory capital is comprised of the following categories: common equity tier 1 (CET1), tier 1 capital and tier 2 capital. CET1 capital consists of total shareholders' equity, regulatory adjustments, including a cumulative dividend accrual, and certain adjustments subject to phase in, including an adjustment for the accounting treatment of pension plans. Tier 1 capital consists of CET1 and additional tier 1 capital, which includes high-trigger and low-trigger capital instruments, certain instruments subject to phase out and certain deductions subject to phase in. Deductions from tier 1 capital during the phase-in period include, among other items, goodwill and intangible assets and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented. Tier 1 capital is supplemented for capital adequacy purposes by tier 2 capital, which consists primarily of unsecured, perpetual, subordinated instruments that are senior only to tier 1 instruments. The sum of tier 1 and tier 2 capital equals total eligible capital.

Risk-weighted assets include consolidated balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents, market positions in the trading portfolio and operational risk from processes, people, systems and external events.

As of December 31, 2013 and 2012, the Group was adequately capitalized under the regulatory provisions outlined under both FINMA and BIS guidelines.

### BIS statistics – Basel III

| end of | **2013** | 2012 |
|---|---|---|
| **Eligible capital (CHF million)** | | |
| CET1 capital | 42,989 | 41,500 |
| Additional tier 1 capital | 3,072 | 2,857 |
| **Total tier 1 capital** | 46,061 | 44,357 |
| Tier 2 capital | 10,227 | 7,162 |
| **Total eligible capital** | **56,288** | **51,519** |
| **Risk-weighted assets (CHF million)** | | |
| Credit risk | 175,631 | 201,764 |
| Market risk | 39,133 | 39,466 |
| Operational risk | 53,075 | 45,125 |
| Non-counterparty risk | 6,007 | 6,126 |
| **Risk-weighted assets** | **273,846** | **292,481** |
| **Capital ratios (%)** | | |
| CET1 ratio | 15.7 | 14.2 |
| Tier 1 ratio | 16.8 | 15.2 |
| Total capital ratio | 20.6 | 17.6 |

### Broker-dealer operations

Certain Group broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2013 and 2012, the Group and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

### Dividend restrictions

Certain of the Group's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. The reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting.

As of December 31, 2013 and 2012, the Group was not subject to restrictions on its ability to pay the proposed dividends.

## 37 Assets under management

The following disclosure provides information regarding assets under management and net new assets as regulated by FINMA.

Assets under management include assets from clients for which the Group provides investment advisory or discretionary asset management services. Assets that are held solely for transaction-related or safekeeping/custody purposes are not considered assets under management. Assets of corporate clients and public institutions that are used primarily for cash management or transaction-related purposes are also not considered assets under management. The classification of assets under management is individually assessed on the basis of each client's intentions and objectives and the banking services provided to the client. Reclassifications between assets under management and assets held for transaction-related or safekeeping purposes result in corresponding net assets inflows or outflows.

Net new assets measure the degree of success in acquiring assets under management. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the Group's success in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

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

### Assets under management

| in / end of | **2013** | 2012 |
|---|---|---|
| **Assets under management (CHF billion)** | | |
| Assets in collective investment instruments managed by Credit Suisse | 160.3 | 182.2 |
| Assets with discretionary mandates | 255.4 | 225.3 |
| Other assets under management | 866.7 | 843.3 |
| **Assets under management (including double counting)** [1] | **1,282.4** | **1,250.8** |
| of which double counting | 47.0 | 63.8 |
| **Net new assets (CHF billion)** | | |
| **Total net new assets (including double counting)** | **32.1** [2] | **10.8** |

[1] Includes CHF 29.0 billion and CHF 53.0 billion assets under management from discontinued operations as of December 31, 2013 and 2012, respectively.

[2] Includes CHF (4.0) billion and CHF (0.6) billion net asset outflows from discontinued operations in 2013 and 2012, respectively.

## 38 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described below include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters below includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

### Litigation provisions

| | 2013 |
|---|---|
| CHF million | |
| **Balance at beginning of period** | **1,157** |
| Increase in litigation accruals | 2,109 |
| Decrease in litigation accruals | (141) |
| Decrease for settlements and other cash payments | (762) |
| Foreign exchange translation | (31) |
| **Balance at end of period** | **2,332** |

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 2.4 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Research-related litigation**

Putative class action lawsuits were filed against Credit Suisse Securities (USA) LLC (CSS LLC) in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices, with In re Credit Suisse – AOL Securities Litigation, filed in the US District Court for the District of Massachusetts, being the remaining outstanding matter. The case was brought on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. The second amended complaint in this action asserted federal securities fraud and control person liability claims against CSS LLC and certain affiliates and former employees of CSS LLC. Plaintiffs estimated damages of approximately USD 3.9 billion. On January 13, 2012, the district court granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. The plaintiffs have appealed the summary judgment decision and oral argument on the appeal was held on March 6, 2013.

**Enron-related litigation**

Two Enron-related actions remain pending against CSS LLC and certain of its affiliates, both in the US District Court for the Southern District of Texas. In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. A motion to dismiss is pending.

**NCFE-related litigation**

Lawsuits were filed against CSS LLC and certain of its affiliates with respect to services that they provided to National Century Financial Enterprises, Inc. and its affiliates (NCFE). In these lawsuits, which were consolidated as a multi-district litigation in the US District Court for the Southern District of Ohio (SDO) for pretrial purposes, investors holding approximately USD 1.9 billion face amount of NCFE's bonds and approximately USD 12 million in preferred stock sued numerous defendants, including the founders and directors of NCFE, the trustees for the bonds, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds and NCFE's placement agents, including CSS LLC. The lawsuits asserted claims for breach of contract, negligence, fraud and violation of federal and state securities laws and generally alleged that CSS LLC and/or its affiliates knew or should have known that the health care receivables purportedly backing the bonds were either ineligible for the programs or non-existent. In April 2009, CSS LLC settled with the New York City Pension Fund bond investor plaintiffs for an amount covered by existing provisions. On October 26, 2012, the SDO issued a decision which granted CSS LLC's summary judgment motion to dismiss all the claims brought by the investor in NCFE preferred stock; on October 23, 2013, the US Court of Appeals for the Sixth Circuit affirmed that decision. On March 13, 2013, CSS LLC and its affiliate entered into agreements to settle the bond investor lawsuits and resolve all remaining bond investor claims for an amount partially covered by existing provisions.

**Mortgage-related matters**

CSS LLC and certain of its affiliates have received requests for information from certain regulators and/or government entities regarding the origination, purchase, securitization and servicing of subprime and non-subprime residential mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests.

Following an investigation, on November 20, 2012, the New York Attorney General, on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, and seeks an unspecified amount of damages. On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey, filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County, against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, and seeks an unspecified amount of damages. Both actions are at early procedural points.

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include class action lawsuits and putative class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts. Although the allegations vary by lawsuit, plaintiffs in the class and putative class actions and individual investor actions generally allege that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization; and repurchase action plaintiffs allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

#### Class action litigations

In class actions and putative class actions against CSS LLC as an underwriter of other issuers' RMBS offerings, CSS LLC generally has or had contractual rights to indemnification from the issuers. However, some of these issuers are now defunct, including affiliates of IndyMac Bancorp (IndyMac) and Thornburg Mortgage (Thornburg). With respect to IndyMac, CSS LLC is named as a defendant in a class action, In re IndyMac Mortgage-Backed Securities Litigation, pending in the US District Court for the Southern District of New York (SDNY), brought on behalf of purchasers of securities in various IndyMac RMBS offerings. On May 17, 2013, the parties in the suit agreed to a stipulation adding 36 additional offerings to the action, which is subject to court approval. Certain investors sought to intervene in the action to assert claims with respect to additional RMBS offerings. The SDNY denied in part the investors' motions to intervene, and the proposed intervenors appealed that ruling. On June 27, 2013, the US Court of Appeals for the Second Circuit affirmed the SDNY's ruling. Plaintiffs' motion for reconsideration of the court's June 21, 2010 decision on defendants' motion to dismiss was granted on July 23, 2013. With the additional 36 offerings, the claims against CSS LLC and numerous other underwriters and individual defendants relate to approximately USD 26 billion of IndyMac RMBS offerings. CSS LLC served as an underwriter with respect to approximately 34.2% of the IndyMac RMBS at issue or approximately USD 8.9 billion. In a second IndyMac-related class action, Tsereteli v. Residential Asset Securitization Trust 2006-A8, in which CSS LLC was the sole underwriter defendant, the parties reached a settlement in the amount of USD 11 million, which was approved by the SDNY and the entire action was thereby resolved. A further class action lawsuit pending in the SDNY against CSS LLC and certain affiliates and employees, New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5, relates to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants. On March 17, 2014, the SDNY granted plaintiff's motion for class certification for the second of the two RMBS offerings, having previously certified the class for purchasers of the first offering. With respect to a putative class action in the US District Court for the District of New Mexico, Genesee County Employees' Retirement System v. Thornburg, in which CSS LLC was a named defendant, the parties reached a settlement in the amount of USD 11.5 million, which was approved by the court and the entire action was thereby resolved.

#### Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, are defendants in: two actions brought by Cambridge Place Investment Management Inc. in Massachusetts state court, in which claims against CSS LLC, following the court's motion to dismiss ruling dismissing certain claims, relate to less than USD 525 million of the RMBS at issue, in an amount to be determined; one action brought by The Charles Schwab Corporation in California state court, in which claims against CSS LLC and its affiliates relate to USD 125 million of the RMBS at issue (approximately 9% of the USD 1.4 billion at issue against all defendants in the operative pleading); one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); three actions brought by the FDIC, as receiver for Colonial Bank: one action in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading), one action in the Circuit Court of Montgomery County, Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading), and one action in the US District Court for the Central District of California, in which claims against CSS LLC relate to approximately USD 34 million of the RMBS at issue (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading); one action brought by Commerzbank AG London Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 148 million of the RMBS at issue (approximately 6% of the USD 2.3 billion at issue against all defendants in the operative pleading); six individual actions brought by the Federal Home Loan Banks of Seattle, San Francisco, Chicago, Indianapolis and Boston in various state and federal courts, in which claims against CSS LLC and its affiliates relate to approximately USD 249 million in the Seattle action, approximately USD 2.2 billion in the San Francisco actions (approximately 11% of the USD 19 billion at issue against all defendants in the operative pleadings), approximately USD 38 million in the Chicago action (approximately 1% of the USD 3.3 billion at issue against all defendants in the operative pleading), approximately USD 224 million in the Indianapolis action (approximately 9% of the USD 2.6 billion at issue against all defendants in the operative pleading), and USD 373 million in the Boston action (approximately 7% of the USD 5.7 billion at issue against all defendants in the operative pleading); one action brought by the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, in the SDNY, in which claims against CSS LLC relate to approximately USD 230 million of the RMBS at issue (approximately 26% of the USD 880 million at issue against all defendants in the operative pleading); one action brought by John Hancock Life Insurance Co. (U.S.A.) and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC relate to an unstated amount of the RMBS at issue; two actions brought by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employee relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings); one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; and one action brought by the Western & Southern Life Insurance Company and affiliated entities in Ohio state court, in which claims against CSS LLC and its affiliates relate to approximately USD 260 million of the RMBS at issue (approximately 94% of the USD 276 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: one action brought by Allstate Insurance Company in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 187 million of RMBS; one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 138 million of RMBS; one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; one action brought by Minnesota Life Insurance Company and affiliated entities in Minnesota state court, in which claims against CSS LLC and its affiliates relate to approximately USD 43 million of RMBS; two actions brought by the National Credit Union Administration Board: one as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliate relate to approximately USD 311 million of RMBS, and one as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 229 million of RMBS; one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of RMBS; one action brought by The Prudential Insurance Company of America and affiliated entities in the US District Court for the District of New Jersey, in which claims against CSS LLC and its affiliates relate to approximately USD 461 million of RMBS; one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS; one dismissed action initially brought by The Union Central Life Insurance Company and affiliated entities in the SDNY, in which there is a pending letter motion to propose a second amended complaint in which claims against CSS LLC and its affiliates and employees relate to approximately USD 65 million of RMBS. These actions are at early or intermediate procedural points.

As disclosed in Credit Suisse's quarterly Financial Reports for 2013, individual investor actions discontinued during the course of 2013 included the following: one of two actions brought by the Federal Home Loan Bank of Chicago against CSS LLC and other financial institutions; one of four actions against CSS LLC brought by the FDIC, as receiver for Colonial Bank; Federal Housing Finance Agency v. JPMorgan Chase & Co., one of the FHFA's actions against CSS LLC and its affiliates and employees and other financial institutions; the action brought by Phoenix Light SF Ltd., with leave to replead, which resulted in the filing of a new action; following a settlement, the action brought by Sealink Funding Limited against CSS LLC and its affiliates; following a settlement, the action brought by Stichting Pensioenfonds ABP against CSS LLC and its affiliates and employees; and, following a settlement, the action brought by West Virginia Investment Management Board against CSS LLC. In addition, on February 14, 2014, as a result of a settlement, the SDNY entered a stipulation of voluntary dismissal with prejudice, discontinuing FHFA v. Morgan Stanley, one of the FHFA's actions against CSS LLC and its affiliates and employees, and other financial institutions, relating to approximately USD 1.4 billion of RMBS at issue against CSS LLC. Further, on March 21, 2014, CSS LLC and certain affiliates and employees entered into an agreement with the FHFA to settle all claims in two of three remaining actions filed by the FHFA in the SDNY for USD 885 million, which amount was partially covered by existing provisions. The actions settled on March 21, 2014 related to approximately USD 16.6 billion of RMBS at issue against the Credit Suisse defendants. Additionally, on March 25, 2014, a stipulation of voluntary discontinuance with prejudice was filed with the SCNY, discontinuing the two consolidated actions brought by Landesbank Baden-Württemberg and affiliated entities against CSS LLC and other financial institutions, relating to approximately USD 200 million of RMBS at issue against CSS LLC.

#### Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in three pending actions, each commenced by a monoline insurer. The insurers include MBIA Insurance Corp. (MBIA), Assured Guaranty Corp. (Assured), and Financial Guaranty Insurance Company (FGIC), each of which guaranteed payments of principal and interest related to approximately USD 770 million, USD 570 million, and

USD 240 million of RMBS, respectively, issued in eight different offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase affected mortgage loans from the trusts at issue. In each action, plaintiffs claim that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that CSS LLC and its affiliates have failed to repurchase the allegedly defective loans. In addition, the monoline insurers allege claims for fraud, fraudulent inducement, material misrepresentations, and breaches of warranties, repurchase obligations, access rights and servicing obligations, and reimbursement. MBIA, Assured and FGIC have submitted repurchase demands for loans with an original principal balance of approximately USD 475 million, USD 2.2 billion and USD 37 million, respectively. These actions are pending in the SCNY and are at early or intermediate procedural points. Further, on November 15, 2013, CIFG Assurance North America, Inc. (CIFG) filed an action against CSS LLC in the SCNY, relating to financial guaranty insurance issued by CIFG on a credit default swap guaranteeing payment on approximately USD 396 million of notes of a collateralized debt obligation. CIFG alleges material misrepresentation in the inducement of an insurance contract and fraud relating to alleged affirmative misrepresentations and material omissions made to induce CIFG to guarantee the securities.

#### Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 319 million; one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436 million; one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 400 million; one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206 million; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust Series AMQ 2007-HE2, in which no damages amount is alleged; one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495 million; and one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500 million, and alleges that SPS likely discovered DLJ's alleged breaches of representations and warranties but did not notify the trustee of such breaches, in alleged violation of its contractual obligations. These actions are brought in the SCNY and are at early procedural points.

As disclosed in Credit Suisse's fourth quarter Financial Report of 2013, the following repurchase actions were dismissed with prejudice in 2013: the three consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ.

### Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York State court (later removed to the Southern District of New York) by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 IPO. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part the motion to dismiss, which left intact part of plaintiffs' claim for aiding and abetting fraud. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court has not yet issued a final judgment as to CSS LLC, and the dismissal of the claims against CSS LLC will be subject to appeal.

### Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided for all four developments, which have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention to have the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. Plaintiffs demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. After the filing of amended complaints and motions to dismiss, the claims were significantly reduced. On September 24, 2013, the court denied the plaintiffs' motion for class certification so the case cannot proceed as a class action. The Bank and other affiliates are also the subject of certain other related litigation regarding these four and other similar real estate developments.

**Auction Rate Securities**

On May 27, 2009, Elbit Systems Ltd (Elbit) filed a complaint against the Group in the US District Court for the Northern District of Illinois, seeking approximately USD 16 million related to the purchase of auction rate securities, alleging federal securities law claims and state law aiding and abetting fraud and unjust enrichment causes of action. The case was transferred to the SDNY. On May 22, 2013, the Group and Elbit settled the lawsuit.

**Tax and securities law matters**

Credit Suisse has been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), the US Securities and Exchange Commission (SEC) and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and securities laws. In particular, the DOJ is investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC has investigated whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and two former employees have pleaded guilty (in one case, as to conduct while employed at other financial institutions that did not involve Credit Suisse and in the other case as to conduct while employed at a former Credit Suisse subsidiary prior to 2006 and other financial institutions after 2006). Credit Suisse received a grand jury target letter from the DOJ. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions. We have been conducting an internal investigation and are continuing to cooperate with the authorities both in the US and Switzerland to resolve this matter in a responsible manner that complies with our legal obligations. Our provision of Swiss-based information to these US authorities has been in accordance with permission granted by Swiss authorities. The Group has established a loss contingency provision of CHF 895 million with respect to the tax and securities law matters described in this subsection. The Group had previously disclosed a provision of CHF 470 million with respect to these matters, including CHF 175 million in connection with the settlement with the SEC described in the following paragraph.

On February 21, 2014, Credit Suisse AG reached a settlement with the SEC that resolves the SEC's investigation regarding registration as an investment advisor and broker-dealer. In a settled administrative and cease-and-desist proceeding, the SEC charged Credit Suisse AG with violating Section 15(a) of the US Securities Exchange Act of 1934 (Exchange Act) and Section 203(a) of the US Investment Advisers Act of 1940 (Advisers Act). Specifically, the SEC's Order finds that from at least 2002 through its exit from the US cross-border securities business which Credit Suisse AG began in 2008, Credit Suisse AG, through actions of certain of its relationship managers, violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to US clients at a time when Credit Suisse AG was not registered with the SEC as a broker-dealer or investment advisor. As part of the settlement of the investigation, Credit Suisse AG agreed, among other things, to cease-and-desist from committing or causing any future violations of Section 15(a) of the Exchange Act or Section 203(a) of the Advisers Act and to pay approximately USD 196 million, inclusive of disgorgement of approximately USD 82 million, prejudgment interest of approximately USD 64 million, and a civil money penalty in the amount of USD 50 million. Credit Suisse AG also agreed to the appointment of an independent consultant who will review its cross-border compliance policies with respect to the US securities laws and will verify that Credit Suisse AG has exited the US cross-border business.

**Rates-related matters**

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations. In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but one of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court dismissed a substantial portion of the case against the panel banks, dismissing the RICO and Sherman Act antitrust claims as well as all state law claims, leaving only certain claims under the Commodity Exchange Act based on LIBOR-related instruments entered into after May 30, 2008.

Subsequently, on August 23, 2013, the court rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which are being replead by the plaintiffs. The court held a hearing on defendants' motion to dismiss the remaining claims on February 4, 2014. The matter not consolidated in the multi-district litigation is also in the SDNY, which is considering defendants' motion to dismiss that lawsuit.

The reference rates investigations have also included information requests from regulators regarding trading activities and the setting of benchmark rates in the foreign exchange markets. On March 31, 2014, the Swiss Competition Commission announced a formal investigation of numerous Swiss and international financial institutions, including the Group, in relation to the setting of exchange rates in foreign exchange trading. The Group is cooperating fully with these investigations. The investigations are ongoing and it is too soon to predict the final outcome of the investigations. In addition, Credit Suisse and other financial institutions have been named in a number of related civil class action lawsuits filed in US federal court.

**Singapore MAS matter**

On June 14, 2013, the Monetary Authority of Singapore (MAS) announced it was taking supervisory action against 20 banks for various deficiencies relating to the benchmark processes regarding the Singapore dollar interest rate benchmarks, Singapore Interbank Offered Rates and Swap Offered Rates, and the foreign exchange spot benchmarks commonly used to settle Non-Deliverable Forward foreign exchange contracts. Credit Suisse AG Singapore Branch (CSSB) was one of the named banks. The MAS censured the banks and directed them to adopt measures to address these deficiencies. The MAS has also required 19 of the 20 banks, including CSSB, to set aside additional statutory reserves for a period of one year. CSSB, along with six other panel banks, has been calibrated in the third of five tiers by the MAS and required to set aside additional statutory reserves of SGD 400-600 million, which were deposited with the MAS in a non-interest bearing account. These additional reserves will be returned to each bank within one year, assuming it has satisfied the MAS that it has adopted sufficient measures to address the identified deficiencies.

**CDS-related matters**

In July 2013, the Directorate General for Competition of the European Commission (DG Comp) issued a Statement of Objections (SO) to various entities of thirteen CDS dealer banks, certain Markit entities and the International Swaps and Derivatives Association, Inc. (ISDA) in relation to DG Comp's investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. The next step in the process is for the named entities to provide written responses.

In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the DOJ.

## 39 Significant subsidiaries and equity method investments

### Significant subsidiaries

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| as of December 31, 2013 | | | | |
| | **Credit Suisse Group AG** | | | |
| 100 | BANK-now AG | Horgen, Switzerland | CHF | 30.0 |
| 100 | Credit Suisse AG | Zurich, Switzerland | CHF | 4,399.7 |
| 100 | Credit Suisse Group Finance (U.S.) Inc. | Wilmington, United States | USD | 100.0 |
| 100 | Credit Suisse Trust AG | Zurich, Switzerland | CHF | 5.0 |
| 100 | Credit Suisse Trust Holdings Limited | St. Peter Port, Guernsey | GBP | 2.0 |
| 100 | CS LP Holding AG | Zug, Switzerland | CHF | 0.1 |
| 100 | Inreska Limited | St. Peter Port, Guernsey | GBP | 3.0 |
| 100 | Neue Aargauer Bank AG | Aarau, Switzerland | CHF | 134.1 |
| 88 | Savoy Hotel Baur en Ville AG | Zurich, Switzerland | CHF | 7.5 |
| | **Credit Suisse AG** | | | |
| 100 | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100 | Banco Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 53.6 |
| 100 | Banco Credit Suisse (México), S.A. | Mexico City, Mexico | MXN | 1,716.7 |
| 100 | Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 164.8 |
| 100 | Boston Re Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100 | CJSC Bank Credit Suisse (Moscow) | Moscow, Russia | USD | 37.8 |
| 100 | Column Financial, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse (Australia) Limited | Sydney, Australia | AUD | 34.1 |
| 100 | Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A. | São Paulo, Brazil | BRL | 5.0 |
| 100 | Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários | São Paulo, Brazil | BRL | 98.4 |
| 100 | Credit Suisse (Deutschland) Aktiengesellschaft | Frankfurt, Germany | EUR | 130.0 |
| 100 | Credit Suisse (France) | Paris, France | EUR | 52.9 |
| 100 | Credit Suisse (Gibraltar) Limited | Gibraltar, Gibraltar | GBP | 5.0 |
| 100 | Credit Suisse (Channel Islands) Limited | St. Peter Port, Guernsey | USD | 6.1 |
| 100 | Credit Suisse (Hong Kong) Limited | Hong Kong, China | HKD | 6,910.9 |
| 100 | Credit Suisse (Italy) S.p.A. | Milan, Italy | EUR | 139.6 |
| 100 [1] | Credit Suisse (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 150.0 |
| 100 | Credit Suisse (Monaco) S.A.M. | Monte Carlo, Monaco | EUR | 18.0 |
| 100 | Credit Suisse (Poland) SP. z o.o | Warsaw, Poland | PLN | 20.0 |
| 100 | Credit Suisse (Qatar) LLC | Doha, Qatar | USD | 24.0 |
| 100 | Credit Suisse (Singapore) Limited | Singapore, Singapore | SGD | 743.3 |
| 100 | Credit Suisse (UK) Limited | London, United Kingdom | GBP | 168.2 |
| 100 | Credit Suisse (USA), Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 144.2 |
| 100 | Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH | Frankfurt, Germany | EUR | 6.1 |
| 100 | Credit Suisse Asset Management International Holding Ltd | Zurich, Switzerland | CHF | 20.0 |
| 100 | Credit Suisse Asset Management Investments Ltd | Zurich, Switzerland | CHF | 0.1 |
| 100 | Credit Suisse Asset Management Limited | London, United Kingdom | GBP | 45.0 |
| 100 | Credit Suisse Asset Management, LLC | Wilmington, United States | USD | 1,086.8 |
| 100 | Credit Suisse Business Analytics (India) Private Limited | Mumbai, India | INR | 40.0 |
| 100 | Credit Suisse Capital (Guernsey) I Limited | St. Peter Port, Guernsey | USD | 0.0 |
| 100 | Credit Suisse Capital LLC | Wilmington, United States | USD | 737.6 |
| 100 | Credit Suisse Energy (Canada) Limited | Toronto, Canada | USD | 0.0 |

## Significant subsidiaries (continued)

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| 100 | Credit Suisse Energy LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Equities (Australia) Limited | Sydney, Australia | AUD | 62.5 |
| 100 | Credit Suisse Finance (Guernsey) Limited | St. Peter Port, Guernsey | USD | 0.2 |
| 100 | Credit Suisse Finance (India) Private Limited | Mumbai, India | INR | 1,050.1 |
| 100 | Credit Suisse First Boston (Latin America Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100 | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100 | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, United States | USD | 356.6 |
| 100 | Credit Suisse First Boston Next Fund, Inc. | Wilmington, United States | USD | 10.0 |
| 100 | Credit Suisse Fund Management S.A. | Luxembourg, Luxembourg | CHF | 0.3 |
| 100 | Credit Suisse Fund Services (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 1.5 |
| 100 | Credit Suisse Funds AG | Zurich, Switzerland | CHF | 7.0 |
| 100 | Credit Suisse Hedging-Griffo Corretora de Valores S.A. | São Paulo, Brazil | BRL | 29.6 |
| 100 | Credit Suisse Holding Europe (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 32.6 |
| 100 | Credit Suisse Holdings (Australia) Limited | Sydney, Australia | AUD | 3.0 |
| 100 [2] | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 100 [3] | Credit Suisse International | London, United Kingdom | USD | 13,107.7 |
| 100 | Credit Suisse Leasing 92A, L.P. | New York, United States | USD | 43.9 |
| 100 | Credit Suisse Life & Pensions AG | Vaduz, Liechtenstein | CHF | 15.0 |
| 100 | Credit Suisse Life (Bermuda) Ltd. | Hamilton, Bermuda | USD | 1.0 |
| 100 | Credit Suisse Loan Funding LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Management LLC | Wilmington, United States | USD | 896.8 |
| 100 | Credit Suisse Principal Investments Limited | George Town, Cayman Islands | JPY | 3,324.0 |
| 100 | Credit Suisse Private Equity, LLC | Wilmington, United States | USD | 42.2 |
| 100 | Credit Suisse PSL GmbH | Zurich, Switzerland | CHF | 0.0 |
| 100 | Credit Suisse Securities (Canada), Inc. | Toronto, Canada | CAD | 3.4 |
| 100 | Credit Suisse Securities (Europe) Limited | London, United Kingdom | USD | 2,859.3 |
| 100 | Credit Suisse Securities (Hong Kong) Limited | Hong Kong, China | HKD | 530.9 |
| 100 | Credit Suisse Securities (India) Private Limited | Mumbai, India | INR | 2,214.8 |
| 100 | Credit Suisse Securities (Japan) Limited | Tokyo, Japan | JPY | 78,100.0 |
| 100 | Credit Suisse Securities (Johannesburg) Proprietary Limited | Johannesburg, South Africa | ZAR | 0.0 |
| 100 | Credit Suisse Securities (Malaysia) Sdn. Bhd. | Kuala Lumpur, Malaysia | MYR | 100.0 |
| 100 | Credit Suisse Securities (Moscow) | Moscow, Russia | RUB | 97.1 |
| 100 | Credit Suisse Securities (Singapore) Pte Limited | Singapore, Singapore | SGD | 30.0 |
| 100 | Credit Suisse Securities (Thailand) Limited | Bangkok, Thailand | THB | 500.0 |
| 100 | Credit Suisse Securities (USA) LLC | Wilmington, United States | USD | 1,881.5 |
| 100 | CSAM Americas Holding Corp. | Wilmington, United States | USD | 0.0 |
| 100 | CS International Advisors AG | Zurich, Switzerland | CHF | 0.1 |
| 100 | CS Non-Traditional Products Ltd. | Nassau, Bahamas | USD | 0.1 |
| 100 | DLJ LBO Plans Management, LLC | Wilmington, United States | USD | 7.8 |
| 100 | DLJ Mortgage Capital, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Merban Equity AG | Zug, Switzerland | CHF | 0.1 |
| 100 | SPS Holding Corporation | Wilmington, United States | USD | 0.1 |
| 99 | PT Credit Suisse Securities Indonesia | Jakarta, Indonesia | IDR | 235,000.0 |
| 98 | Credit Suisse Hypotheken AG | Zurich, Switzerland | CHF | 0.1 |
| 83 | Asset Management Finance LLC | Wilmington, United States | USD | 341.8 |
| 71 | Credit Suisse Saudi Arabia | Riyadh, Saudi Arabia | SAR | 300.0 |

[1] 58% owned by Credit Suisse AG.
[2] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[3] 80% of voting rights and 98% of equity interest held by Credit Suisse AG.

## Significant equity method investments

| Equity interest in % | Company name | Domicile |
|---|---|---|
| **as of December 31, 2013** | | |
| | **Credit Suisse Group AG** | |
| 100 [1] | Credit Suisse Group Finance (Guernsey) Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) I Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) II Limited | St. Peter Port, Guernsey |
| 100 [1] | Credit Suisse Group (Guernsey) IV Limited | St. Peter Port, Guernsey |
| 50 | Swisscard AECS AG | Horgen, Switzerland |
| 25 | SECB Swiss Euro Clearing Bank GmbH | Frankfurt, Germany |
| | **Credit Suisse AG** | |
| 33 | Credit Suisse Founder Securities Limited | Beijing, China |
| 23 | E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd | Melbourne, Australia |
| 20 | ICBC Credit Suisse Asset Management Co., Ltd. | Beijing, China |
| 5 [2] | York Capital Management Global Advisors, LLC | New York, United States |

[1] Deconsolidated under US GAAP as the Group is not the primary beneficiary.
[2] The Group holds a significant noncontrolling interest.

## 40 Subsidiary guarantee information

Certain wholly owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In the fourth quarter of 2013, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and Fed regulation on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

## Condensed consolidating statements of operations

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 6,553 | 12,468 | 19,021 | 62 | 473 | 19,556 |
| Interest expense | (3,899) | (7,407) | (11,306) | (60) | (75) | (11,441) |
| Net interest income | 2,654 | 5,061 | 7,715 | 2 | 398 | 8,115 |
| Commissions and fees | 3,756 | 9,302 | 13,058 | 4 | 164 | 13,226 |
| Trading revenues | (507) | 3,271 | 2,764 | (23) | (2) | 2,739 |
| Other revenues | 1,361 | 432 | 1,793 | 2,288 [2] | (2,305) | 1,776 |
| **Net revenues** | **7,264** | **18,066** | **25,330** | **2,271** | **(1,745)** | **25,856** |
| **Provision for credit losses** | **4** | **89** | **93** | **0** | **74** | **167** |
| Compensation and benefits | 3,380 | 7,807 | 11,187 | 59 | 10 | 11,256 |
| General and administrative expenses | 2,843 | 5,811 | 8,654 | (135) | 80 | 8,599 |
| Commission expenses | 227 | 1,499 | 1,726 | 1 | 11 | 1,738 |
| Total other operating expenses | 3,070 | 7,310 | 10,380 | (134) | 91 | 10,337 |
| **Total operating expenses** | **6,450** | **15,117** | **21,567** | **(75)** | **101** | **21,593** |
| **Income/(loss) from continuing operations before taxes** | **810** | **2,860** | **3,670** | **2,346** | **(1,920)** | **4,096** |
| Income tax expense | 14 | 1,163 | 1,177 | 20 | 79 | 1,276 |
| **Income/(loss) from continuing operations** | **796** | **1,697** | **2,493** | **2,326** | **(1,999)** | **2,820** |
| Income from discontinued operations, net of tax | 66 | 79 | 145 | 0 | 0 | 145 |
| **Net income/(loss)** | **862** | **1,776** | **2,638** | **2,326** | **(1,999)** | **2,965** |
| Net income/(loss) attributable to noncontrolling interests | 575 | 285 | 860 | 0 | (221) | 639 |
| **Net income/(loss) attributable to shareholders** | **287** | **1,491** | **1,778** | **2,326** | **(1,778)** | **2,326** |
| of which from continuing operations | 221 | 1,412 | 1,633 | 2,326 | (1,778) | 2,181 |
| of which from discontinued operations | 66 | 79 | 145 | 0 | 0 | 145 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 862 | 1,776 | 2,638 | 2,326 | (1,999) | 2,965 |
| Gains/(losses) on cash flow hedges | 0 | 2 | 2 | 16 | 0 | 18 |
| Foreign currency translation | (648) | (1,567) | (2,215) | 0 | 1,194 | (1,021) |
| Unrealized gains/(losses) on securities | (2) | (16) | (18) | 0 | (14) | (32) |
| Actuarial gains/(losses) | 138 | (181) | (43) | 0 | 1,087 | 1,044 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (95) | (95) |
| Other comprehensive income/(loss), net of tax | (512) | (1,762) | (2,274) | 16 | 2,172 | (86) |
| **Comprehensive income/(loss)** | **350** | **14** | **364** | **2,342** | **173** | **2,879** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 471 | 353 | 824 | 0 | (299) | 525 |
| **Comprehensive income/(loss) attributable to shareholders** | **(121)** | **(339)** | **(460)** | **2,342** | **472** | **2,354** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 7,584 | 13,960 | 21,544 | 81 | 465 | 22,090 |
| Interest expense | (4,472) | (10,262) | (14,734) | (79) | (134) | (14,947) |
| Net interest income | 3,112 | 3,698 | 6,810 | 2 | 331 | 7,143 |
| Commissions and fees | 3,940 | 8,609 | 12,549 | (12) | 187 | 12,724 |
| Trading revenues | 1,638 | (309) | 1,329 | 1 | (134) | 1,196 |
| Other revenues | 861 | 1,629 | 2,490 | 1,319 [2] | (1,261) | 2,548 |
| **Net revenues** | **9,551** | **13,627** | **23,178** | **1,310** | **(877)** | **23,611** |
| **Provision for credit losses** | **(5)** | **93** | **88** | **0** | **82** | **170** |
| Compensation and benefits | 3,601 | 8,618 | 12,219 | 56 | 28 | 12,303 |
| General and administrative expenses | 2,130 | 5,074 | 7,204 | (101) | 143 | 7,246 |
| Commission expenses | 252 | 1,433 | 1,685 | 1 | 16 | 1,702 |
| Total other operating expenses | 2,382 | 6,507 | 8,889 | (100) | 159 | 8,948 |
| **Total operating expenses** | **5,983** | **15,125** | **21,108** | **(44)** | **187** | **21,251** |
| **Income/(loss) from continuing operations before taxes** | **3,573** | **(1,591)** | **1,982** | **1,354** | **(1,146)** | **2,190** |
| Income tax expense/(benefit) | 1,333 | (886) | 447 | 5 | 13 | 465 |
| **Income/(loss) from continuing operations** | **2,240** | **(705)** | **1,535** | **1,349** | **(1,159)** | **1,725** |
| Income from discontinued operations, net of tax | 17 | (57) | (40) | 0 | 0 | (40) |
| **Net income/(loss)** | **2,257** | **(762)** | **1,495** | **1,349** | **(1,159)** | **1,685** |
| Net income/(loss) attributable to noncontrolling interests | 281 | (881) | (600) | 0 | 936 | 336 |
| **Net income/(loss) attributable to shareholders** | **1,976** | **119** | **2,095** | **1,349** | **(2,095)** | **1,349** |
| of which from continuing operations | 1,959 | 176 | 2,135 | 1,349 | (2,095) | 1,389 |
| of which from discontinued operations | 17 | (57) | (40) | 0 | 0 | (40) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 2,257 | (762) | 1,495 | 1,349 | (1,159) | 1,685 |
| Gains/(losses) on cash flow hedges | 0 | 7 | 7 | 30 | 0 | 37 |
| Foreign currency translation | (575) | (658) | (1,233) | 1 | 118 | (1,114) |
| Unrealized gains/(losses) on securities | 2 | (45) | (43) | 0 | 28 | (15) |
| Actuarial gains/(losses) | 20 | 38 | 58 | 0 | (108) | (50) |
| Net prior service credit/(cost) | (2) | 1 | (1) | 0 | 249 | 248 |
| Other comprehensive income/(loss), net of tax | (555) | (657) | (1,212) | 31 | 287 | (894) |
| **Comprehensive income/(loss)** | **1,702** | **(1,419)** | **283** | **1,380** | **(872)** | **791** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 186 | (997) | (811) | 0 | 1,022 | 211 |
| **Comprehensive income/(loss) attributable to shareholders** | **1,516** | **(422)** | **1,094** | **1,380** | **(1,894)** | **580** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

| in 2011 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 7,580 | 14,831 | 22,411 | 161 | 404 | 22,976 |
| Interest expense | (4,687) | (11,717) | (16,404) | (153) | 7 | (16,550) |
| Net interest income | 2,893 | 3,114 | 6,007 | 8 | 411 | 6,426 |
| Commissions and fees | 3,368 | 8,992 | 12,360 | 9 | 269 | 12,638 |
| Trading revenues | (1,665) | 6,406 | 4,741 | 1 | 279 | 5,021 |
| Other revenues | 1,310 | 435 | 1,745 | 1,888 [2] | (1,827) | 1,806 |
| **Net revenues** | **5,906** | **18,947** | **24,853** | **1,906** | **(868)** | **25,891** |
| **Provision for credit losses** | **7** | **116** | **123** | **0** | **64** | **187** |
| Compensation and benefits | 3,665 | 9,311 | 12,976 | 80 | (55) | 13,001 |
| General and administrative expenses | 1,718 | 5,610 | 7,328 | (135) | 100 | 7,293 |
| Commission expenses | 263 | 1,652 | 1,915 | 1 | 23 | 1,939 |
| Total other operating expenses | 1,981 | 7,262 | 9,243 | (134) | 123 | 9,232 |
| **Total operating expenses** | **5,646** | **16,573** | **22,219** | **(54)** | **68** | **22,233** |
| **Income/(loss) from continuing operations before taxes** | **253** | **2,258** | **2,511** | **1,960** | **(1,000)** | **3,471** |
| Income tax expense/(benefit) | (287) | 731 | 444 | 7 | 205 | 656 |
| **Income/(loss) from continuing operations** | **540** | **1,527** | **2,067** | **1,953** | **(1,205)** | **2,815** |
| Income/(loss) from discontinued operations, net of tax | 17 | (42) | (25) | 0 | 0 | (25) |
| **Net income/(loss)** | **557** | **1,485** | **2,042** | **1,953** | **(1,205)** | **2,790** |
| Net income/(loss) attributable to noncontrolling interests | 734 | 167 | 901 | 0 | (64) | 837 |
| **Net income/(loss) attributable to shareholders** | **(177)** | **1,318** | **1,141** | **1,953** | **(1,141)** | **1,953** |
| of which from continuing operations | (194) | 1,360 | 1,166 | 1,953 | (1,141) | 1,978 |
| of which from discontinued operations | 17 | (42) | (25) | 0 | 0 | (25) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2011 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 557 | 1,485 | 2,042 | 1,953 | (1,205) | 2,790 |
| Gains/(losses) on cash flow hedges | 0 | (32) | (32) | (1) | 0 | (33) |
| Foreign currency translation | 50 | (343) | (293) | 1 | 29 | (263) |
| Unrealized gains/(losses) on securities | 0 | (3) | (3) | 0 | (15) | (18) |
| Actuarial gains/(losses) | (79) | 221 | 142 | 0 | (757) | (615) |
| Net prior service credit/(cost) | 0 | (1) | (1) | 0 | 396 | 395 |
| Other comprehensive income/(loss), net of tax | (29) | (158) | (187) | 0 | (347) | (534) |
| **Comprehensive income/(loss)** | **528** | **1,327** | **1,855** | **1,953** | **(1,552)** | **2,256** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 775 | 165 | 940 | 0 | (58) | 882 |
| **Comprehensive income/(loss) attributable to shareholders** | **(247)** | **1,162** | **915** | **1,953** | **(1,494)** | **1,374** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| Interest-bearing deposits with banks | 81 | 3,304 | 3,385 | 0 | (1,870) | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,153 | 32,860 | 160,013 | 0 | 9 | 160,022 |
| Securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading assets | 73,580 | 156,156 | 229,736 | 0 | (323) | 229,413 |
| Investment securities | 2 | 1,625 | 1,627 | 1,481 | (121) | 2,987 |
| Other investments | 5,116 | 5,091 | 10,207 | 42,570 | (42,448) | 10,329 |
| Net loans | 19,955 | 211,202 | 231,157 | 3,185 | 12,712 | 247,054 |
| Premises and equipment | 891 | 4,004 | 4,895 | 0 | 196 | 5,091 |
| Goodwill | 658 | 6,463 | 7,121 | 0 | 878 | 7,999 |
| Other intangible assets | 78 | 132 | 210 | 0 | 0 | 210 |
| Brokerage receivables | 25,667 | 26,377 | 52,044 | 0 | 1 | 52,045 |
| Other assets | 18,104 | 43,452 | 61,556 | 243 | 1,266 | 63,065 |
| Assets of discontinued operations held-for-sale | 11 | 1,573 | 1,584 | 0 | 0 | 1,584 |
| **Total assets** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 251 | 22,896 | 23,147 | 3,242 | (3,281) | 23,108 |
| Customer deposits | 1 | 321,850 | 321,851 | 0 | 11,238 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 98,600 | (4,568) | 94,032 | 0 | 0 | 94,032 |
| Obligation to return securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading liabilities | 14,304 | 62,508 | 76,812 | 0 | (177) | 76,635 |
| Short-term borrowings | 42,842 | (22,649) | 20,193 | 0 | 0 | 20,193 |
| Long-term debt | 31,300 | 95,341 | 126,641 | 2,784 | 617 | 130,042 |
| Brokerage payables | 55,749 | 17,405 | 73,154 | 0 | 0 | 73,154 |
| Other liabilities | 11,284 | 39,795 | 51,079 | 84 | 284 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 19 | 1,121 | 1,140 | 0 | 0 | 1,140 |
| **Total liabilities** | **277,829** | **533,020** | **810,849** | **6,110** | **8,681** | **825,640** |
| **Total shareholders' equity** | **18,583** | **21,409** | **39,992** | **42,164** | **(39,992)** | **42,164** |
| Noncontrolling interests | 3,150 | 421 | 3,571 | 0 | 1,431 | 5,002 |
| **Total equity** | **21,733** | **21,830** | **43,563** | **42,164** | **(38,561)** | **47,166** |
| **Total liabilities and equity** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets (continued)

| end of 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | **Bank** | Group parent company | Other Group subsidiaries [1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,523 | 56,853 | 61,376 | 19 | 368 | 61,763 |
| Interest-bearing deposits with banks | 82 | 3,637 | 3,719 | 0 | (1,774) | 1,945 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 130,175 | 53,271 | 183,446 | 0 | 9 | 183,455 |
| Securities received as collateral | 34,980 | (4,935) | 30,045 | 0 | 0 | 30,045 |
| Trading assets | 87,974 | 168,628 | 256,602 | 0 | (203) | 256,399 |
| Investment securities | 22 | 1,917 | 1,939 | 0 | 1,559 | 3,498 |
| Other investments | 6,252 | 5,564 | 11,816 | 35,088 | (34,882) | 12,022 |
| Net loans | 22,945 | 204,553 | 227,498 | 4,459 | 10,266 | 242,223 |
| Premises and equipment | 1,062 | 4,354 | 5,416 | 0 | 202 | 5,618 |
| Goodwill | 581 | 6,929 | 7,510 | 0 | 879 | 8,389 |
| Other intangible assets | 77 | 166 | 243 | 0 | 0 | 243 |
| Brokerage receivables | 20,672 | 25,096 | 45,768 | 0 | 0 | 45,768 |
| Other assets | 15,993 | 56,789 | 72,782 | 173 | (43) | 72,912 |
| **Total assets** | **325,338** | **582,822** | **908,160** | **39,739** | **(23,619)** | **924,280** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 164 | 30,410 | 30,574 | 3,753 | (3,313) | 31,014 |
| Customer deposits | 1 | 297,689 | 297,690 | 0 | 10,622 | 308,312 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 130,411 | 2,310 | 132,721 | 0 | 0 | 132,721 |
| Obligation to return securities received as collateral | 34,980 | (4,935) | 30,045 | 0 | 0 | 30,045 |
| Trading liabilities | 23,332 | 67,759 | 91,091 | 0 | (275) | 90,816 |
| Short-term borrowings | 22,157 | (7,319) | 14,838 | 0 | 3,803 | 18,641 |
| Long-term debt | 35,485 | 111,512 | 146,997 | 437 | 700 | 148,134 |
| Brokerage payables | 44,401 | 20,275 | 64,676 | 0 | 0 | 64,676 |
| Other liabilities | 12,927 | 44,440 | 57,367 | 51 | 219 | 57,637 |
| **Total liabilities** | **303,858** | **562,141** | **865,999** | **4,241** | **11,756** | **881,996** |
| **Total shareholders' equity** | **17,970** | **16,797** | **34,767** | **35,498** | **(34,767)** | **35,498** |
| Noncontrolling interests | 3,510 | 3,884 | 7,394 | 0 | (608) | 6,786 |
| **Total equity** | **21,480** | **20,681** | **42,161** | **35,498** | **(35,375)** | **42,284** |
| **Total liabilities and equity** | **325,338** | **582,822** | **908,160** | **39,739** | **(23,619)** | **924,280** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **6,126** | **15,912** | **22,038** | **400** [2] | **(364)** | **22,074** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (1) | 444 | 443 | 0 | 95 | 538 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (594) | 17,714 | 17,120 | 0 | 0 | 17,120 |
| Purchase of investment securities | 0 | (676) | (676) | (1,402) | 1,401 | (677) |
| Proceeds from sale of investment securities | 23 | 153 | 176 | 0 | 0 | 176 |
| Maturities of investment securities | 0 | 673 | 673 | 0 | 159 | 832 |
| Investments in subsidiaries and other investments | 232 | (1,570) | (1,338) | (2,458) | 2,004 | (1,792) |
| Proceeds from sale of other investments | 2,139 | 1,026 | 3,165 | 481 | 91 | 3,737 |
| (Increase)/decrease in loans | 2,456 | (10,306) | (7,850) | 1,228 | (2,504) | (9,126) |
| Proceeds from sales of loans | 0 | 1,483 | 1,483 | 0 | 0 | 1,483 |
| Capital expenditures for premises and equipment and other intangible assets | (238) | (657) | (895) | 0 | (8) | (903) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 9 | 9 | 0 | 0 | 9 |
| Other, net | (87) | 202 | 115 | 0 | 7 | 122 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **3,930** | **8,495** | **12,425** | **(2,151)** | **1,245** | **11,519** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 95 | 22,252 | 22,347 | (500) | 616 | 22,463 |
| Increase/(decrease) in short-term borrowings | 22,124 | (16,122) | 6,002 | 0 | 0 | 6,002 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (29,400) | (6,947) | (36,347) | 0 | 0 | (36,347) |
| Issuances of long-term debt | 687 | 37,227 | 37,914 | 2,292 | (1,116) | 39,090 |
| Repayments of long-term debt | (3,482) | (52,830) | (56,312) | 0 | 1,177 | (55,135) |
| Issuances of common shares | 0 | 0 | 0 | 976 | 0 | 976 |
| Sale of treasury shares | 0 | 0 | 0 | 58 | 9,706 | 9,764 |
| Repurchase of treasury shares | 0 | 0 | 0 | (217) | (9,985) | (10,202) |
| Dividends paid | 0 | (305) | (305) | (154) | (105) | (564) |
| Excess tax benefits related to share-based compensation | 0 | 0 | 0 | 1 | (1) | 0 |
| Other, net | 258 | 923 | 1,181 | 75 | (1,724) | (468) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(9,718)** | **(15,802)** | **(25,520)** | **2,531** | **(1,432)** | **(24,421)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(74)** | **(1,141)** | **(1,215)** | **(4)** | **3** | **(1,216)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **0** | **(1,027)** | **(1,027)** | **0** | **0** | **(1,027)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **264** | **6,437** | **6,701** | **776** | **(548)** | **6,929** |
| Cash and due from banks at beginning of period | 4,523 | 56,853 | 61,376 | 19 | 368 | 61,763 |
| **Cash and due from banks at end of period** | **4,787** | **63,290** | **68,077** | **795** | **(180)** | **68,692** |

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 161 million and CHF 208 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(4,312)** | **(7,671)** | **(11,983)** | **357** [2] | **(1,042)** | **(12,668)** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (2) | 317 | 315 | 0 | (131) | 184 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 22,780 | 24,153 | 46,933 | 0 | 19 | 46,952 |
| Purchase of investment securities | 0 | (276) | (276) | 0 | (204) | (480) |
| Proceeds from sale of investment securities | 0 | 936 | 936 | 0 | 0 | 936 |
| Maturities of investment securities | 0 | 1,442 | 1,442 | 0 | 184 | 1,626 |
| Investments in subsidiaries and other investments | 34 | (1,981) | (1,947) | (3,584) | 3,492 | (2,039) |
| Proceeds from sale of other investments | 1,922 | 996 | 2,918 | 110 | 76 | 3,104 |
| (Increase)/decrease in loans | 1,075 | (11,326) | (10,251) | 1,154 | (1,925) | (11,022) |
| Proceeds from sales of loans | 0 | 1,090 | 1,090 | 0 | 0 | 1,090 |
| Capital expenditures for premises and equipment and other intangible assets | (364) | (863) | (1,227) | 0 | (15) | (1,242) |
| Proceeds from sale of premises and equipment and other intangible assets | 16 | 10 | 26 | 0 | 0 | 26 |
| Other, net | 235 | 3,441 | 3,676 | 28 | (21) | 3,683 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **25,696** | **17,939** | **43,635** | **(2,292)** | **1,475** | **42,818** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 78 | (14,532) | (14,454) | (1,015) | 2,902 | (12,567) |
| Increase/(decrease) in short-term borrowings | 5,508 | (17,151) | (11,643) | 0 | 3,803 | (7,840) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (20,167) | (19,791) | (39,958) | 0 | 0 | (39,958) |
| Issuances of long-term debt | 879 | 36,338 | 37,217 | 10 | 1,178 | 38,405 |
| Repayments of long-term debt | (5,094) | (49,371) | (54,465) | (1,149) | (322) | (55,936) |
| Issuances of common shares | 0 | 0 | 0 | 1,930 | 0 | 1,930 |
| Sale of treasury shares | 0 | 0 | 0 | 367 | 7,988 | 8,355 |
| Repurchase of treasury shares | 0 | 0 | 0 | (495) | (8,364) | (8,859) |
| Dividends paid | 0 | (321) | (321) | (944) | (31) | (1,296) |
| Excess tax benefits related to share-based compensation | 0 | 42 | 42 | 0 | (42) | 0 |
| Other, net | (1,714) | 5,317 | 3,603 | 3,180 | (6,389) | 394 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(20,510)** | **(59,469)** | **(79,979)** | **1,884** | **723** | **(77,372)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(105)** | **(1,070)** | **(1,175)** | **57** | **(124)** | **(1,242)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **6** | **(352)** | **(346)** | **0** | **0** | **(346)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **775** | **(50,623)** | **(49,848)** | **6** | **1,032** | **(48,810)** |
| Cash and due from banks at beginning of period | 3,748 | 107,476 | 111,224 | 13 | (664) | 110,573 |
| **Cash and due from banks at end of period** | **4,523** | **56,853** | **61,376** | **19** | **368** | **61,763** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 166 million and CHF 46 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows (continued)

| in 2011 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries [1] | Bank | Group parent company | Other Group subsidiaries [1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **11,286** | **25,809** | **37,095** | **431** [2] | **1,096** | **38,622** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (1) | (1,019) | (1,020) | 0 | 288 | (732) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (20,567) | 5,886 | (14,681) | 0 | (540) | (15,221) |
| Purchase of investment securities | 0 | (1,232) | (1,232) | 0 | (310) | (1,542) |
| Proceeds from sale of investment securities | 0 | 2,118 | 2,118 | 0 | 0 | 2,118 |
| Maturities of investment securities | 0 | 2,294 | 2,294 | 0 | 168 | 2,462 |
| Investments in subsidiaries and other investments | (1,032) | (378) | (1,410) | (101) | (271) | (1,782) |
| Proceeds from sale of other investments | 4,357 | 1,967 | 6,324 | 9 | 451 | 6,784 |
| (Increase)/decrease in loans | 6,326 | (21,139) | (14,813) | 547 | (2,971) | (17,237) |
| Proceeds from sales of loans | 0 | 689 | 689 | 0 | 0 | 689 |
| Capital expenditures for premises and equipment and other intangible assets | (477) | (1,250) | (1,727) | 0 | (12) | (1,739) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 11 | 11 | 0 | 0 | 11 |
| Other, net | 2 | 187 | 189 | 0 | 33 | 222 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **(11,392)** | **(11,866)** | **(23,258)** | **455** | **(3,164)** | **(25,967)** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | (27) | 27,456 | 27,429 | (1,514) | 1,825 | 27,740 |
| Increase/(decrease) in short-term borrowings | (21,801) | 25,899 | 4,098 | 0 | 0 | 4,098 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 30,267 | (23,085) | 7,182 | 0 | 0 | 7,182 |
| Issuances of long-term debt | 3,395 | 30,255 | 33,650 | 10 | 574 | 34,234 |
| Repayments of long-term debt | (9,974) | (26,617) | (36,591) | (489) | (47) | (37,127) |
| Issuances of common shares | 44 | (46) | (2) | 1,129 | 0 | 1,127 |
| Sale of treasury shares | 0 | 615 | 615 | 550 | 10,688 | 11,853 |
| Repurchase of treasury shares | 0 | (612) | (612) | (201) | (10,977) | (11,790) |
| Dividends paid | 0 | (481) | (481) | (1,560) | 93 | (1,948) |
| Other, net | (4,184) | 1,405 | (2,779) | 617 | (346) | (2,508) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(2,280)** | **34,789** | **32,509** | **(1,458)** | **1,810** | **32,861** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(105)** | **(586)** | **(691)** | **567** | **(508)** | **(632)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **21** | **201** | **222** | **0** | **0** | **222** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **(2,470)** | **48,347** | **45,877** | **(5)** | **(766)** | **45,106** |
| Cash and due from banks at beginning of period | 6,218 | 59,129 | 65,347 | 18 | 102 | 65,467 |
| **Cash and due from banks at end of period** | **3,748** | **107,476** | **111,224** | **13** | **(664)** | **110,573** |

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 162 million and CHF 188 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## 41 Credit Suisse Group parent company

▸ Refer to "Note 40 – Subsidiary guarantee information" for the condensed Credit Suisse Group parent company financial information.

## 42 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law (true and fair view) and its primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2008/2, "Accounting – banks", governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

▸ Refer to "Note 1 – Summary of significant accounting policies" for a detailed description of the Group's accounting policies.

**Scope of consolidation**

Under US GAAP, the Group does not consolidate certain entities that issue redeemable preferred securities. Under Swiss GAAP, these entities would continue to be consolidated as the Group holds 100% of the voting rights.

Under Swiss GAAP, majority-owned subsidiaries that are not considered long-term investments or do not operate in the core business of the Group are either accounted for as financial investments or as equity method investments. US GAAP has no such exception relating to the consolidation of majority-owned subsidiaries.

**Fair value option**

Unlike US GAAP, Swiss GAAP generally does not allow the fair value option concept that creates an optional alternative measurement treatment for certain non-trading financial assets and liabilities, guarantees and commitments. The fair value option permits the use of fair value for initial and subsequent measurement with changes in fair value recorded in the consolidated statements of income.

For issued structured products that include own debt and meet certain restrictive conditions, fair value measurement is applied on a case-by-case basis. The related changes in fair value of both the embedded derivative and the host contract are recorded in trading revenues, except for fair value adjustments relating to own credit that cannot be recognized in the consolidated statements of income.

Other issued structured products which are not in the scope of this interpretation or for which fair value accounting is not elected under Swiss GAAP but for which the fair value option is elected under US GAAP continue to be bifurcated for Swiss GAAP purposes. This means that the embedded derivative is carried at fair value and the host contract is accounted for at amortized cost.

**Other non-trading assets measured at fair value**

Under US GAAP, all of our mortgage servicing rights and most of our life settlement contracts are reported at fair value, with changes in value reported in the consolidated statements of operations.

Under Swiss GAAP, mortgage servicing rights and life settlement contracts are carried at the lower of cost or market.

**Goodwill amortization**

Under US GAAP, goodwill is not amortized but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired.

Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to 20 years is acceptable. In addition, goodwill is tested for impairment.

**Intangible assets with indefinite lives**

Under US GAAP, intangible assets with indefinite lives are not amortized but are tested for impairment annually or more frequently if an event or change in circumstances indicates that the asset may be impaired.

Under Swiss GAAP, intangible assets with indefinite lives are amortized over a useful life, up to a maximum of five years. In addition, these assets are tested for impairment.

**Pensions and post-retirement benefits**

Under US GAAP, the liability and related pension expense is determined based on the projected unit credit actuarial calculation of the benefit obligation.

Under Swiss GAAP, the liability and related pension expense is primarily determined based on the pension plan valuation in accordance with Swiss GAAP FER 26. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Pension expenses include the required contributions defined by Swiss law, any additional contribution mandated by the pension fund trustees and any change in value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

### Loan origination fees

US GAAP requires the deferral of certain fees received upfront in connection with the loan origination for loans not held under the fair value option.

Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Fees received from the borrower which are considered service-related fees such as commitment fees, structuring fees and arrangement fees are immediately recognized in commission income.

### Sale of financial instruments held at amortized cost

Under US GAAP, the gain or loss on sale or early redemption of a financial instrument is immediately recognized in the consolidated statements of operations.

Under Swiss GAAP, the gain or loss on sale or early redemption of an interest-related financial instrument held at amortized cost is deferred over the remaining original term of the financial instrument.

### Extinguishment of own debt

Under US GAAP, repurchased or reacquired own debt instruments are extinguished and gains or losses from extinguishment are immediately recognized in other income.

Under Swiss GAAP, repurchased own debt is only extinguished if the respective securities are legally extinguished. Gains or losses from extinguishment of own debt that was accounted for at amortized cost are deferred and amortized over the original term of the repurchased instruments. For reacquired own debt instruments that are not legally extinguished, the repurchased own debt instruments are either held as financial investments at the lower of cost or market or as trading assets at fair value. The carrying value of the repurchased instruments is offset against the respective liability of own debt instruments issued.

### Real estate held for investment

Under US GAAP, real estate held for investment is valued at cost less accumulated depreciation and any impairment.

Under Swiss GAAP, real estate held for investment that the Group intends to hold permanently is also valued at cost less accumulated depreciation and any other-than-temporary impairment. If the Group does not intend to hold real estate permanently, it is carried at the lower of cost or market.

### Sale and leaseback transactions

Under US GAAP, gains from the sale of property subject to a sale and leaseback agreement are deferred and amortized over the leaseback period.

Under Swiss GAAP, gains from the sale of property subject to a sale and leaseback agreement are only deferred if the provisions of the leaseback contract indicate that the leaseback is a capital lease; if the leaseback contract meets the requirements of an operating lease, such gains are immediately recognized upon sale of the property.

### Investments in securities

#### Available-for-sale securities

Under US GAAP, available-for-sale securities are valued at fair value. Unrealized gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations, except for amounts relating to factors other than credit loss on debt securities with no intent or requirement to sell that continue to be included in AOCI. The new cost basis will not be changed for subsequent recoveries in fair value.

Under Swiss GAAP, available-for-sale securities are accounted for at the lower of cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognized in net trading income.

#### Non-marketable equity securities

Under US GAAP, non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value.

Under Swiss GAAP, non-marketable equity securities are carried at the lower of cost or market.

#### Impairments on held-to-maturity securities

Under US GAAP, declines in fair value of held-to-maturity securities below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations except for amounts relating to factors other than credit loss on debt securities held with no intent or requirement to sell that are included in AOCI. The impairment cannot be reversed in future periods.

Under Swiss GAAP, all impairments are recognized in the consolidated statements of income. Impairments recognized on held-to-maturity securities are reversed up to the amortized cost if the fair value of the instrument subsequently recovers. A reversal is recorded in the consolidated statements of income.

### Trading positions

Under both US GAAP and Swiss GAAP, positions classified in the trading portfolio are valued at fair value. Under US GAAP, this classification is based on management's intent concerning the specific instrument, whereas under Swiss GAAP, the prevailing criteria is the active management of the specific instrument in the context of a documented trading strategy.

### Derivatives used for cash flow hedges

Under US GAAP, the effective portion of a cash flow hedge is reported in AOCI.

Under Swiss GAAP, the effective portion of a cash flow hedge is recorded in the compensation account in other assets or other liabilities.

**Security collateral received in securities lending transactions**

Under US GAAP, security collateral received in securities lending transactions are recorded as assets and a corresponding liability to return the collateral is recognized.

Under Swiss GAAP, security collateral received and the obligation to return collateral of securities lending transactions are not recognized on the balance sheet.

**Derecognition of financial instruments**

Under US GAAP, financial instruments are only derecognized if the transaction meets certain criteria.

Under Swiss GAAP, a financial instrument is derecognized when the economic control has been transferred from the seller to the buyer.

**Discontinued operations**

Under US GAAP, the assets and liabilities of an operation held-for-sale are separated from the ordinary captions of the consolidated balance sheets and are reported as discontinued operations measured at the lower of the carrying value or fair value less cost to sell. Accordingly, income and expense from discontinued operations are reported in a separate line item of the consolidated statements of operations.

Under Swiss GAAP, these positions remain in their initial balance sheet captions until disposed of and continue to be valued according to the respective captions.

**Extraordinary income and expenses**

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary. Extraordinary income and expenses are reported net of tax.

**Reserves for general banking risks**

US GAAP does not allow general unallocated provisions.

Under Swiss GAAP, reserves for general banking risks are recorded as a separate component between liabilities and shareholders' equity. Reserves for general banking risks are established or released through extraordinary expense and extraordinary income, respectively, or result from the reallocation of provisions which are no longer economically required.

**Loan commitments**

Under US GAAP, the Group includes unused credit facilities that can be revoked at its sole discretion upon notice to the client in loan commitments.

Under Swiss GAAP, credit facilities that can be revoked at the Group's sole discretion are only disclosed if the notice period exceeds six weeks.

## 43 Risk assessment

In accordance with the Swiss Code of Obligations the following disclosure provides information regarding the risk assessment process, which was in place for the reporting period and followed by the Board of Directors.

The primary objectives of risk management are to protect the financial strength and reputation of the Group, while ensuring that capital is well deployed to support business activities and grow shareholder value. The risk management organization reflects the specific nature of the various risks in order to ensure that risks are managed within set limits in a transparent and timely manner.

The Board of Directors is responsible for the strategic direction, supervision and control of the Group and for defining its overall tolerance for risk in the form of a risk appetite statement. The Board of Directors has delegated certain responsibilities regarding risk management and oversight to the Risk Committee, the Audit Committee and to the Executive Board.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. In addition to its other responsibilities, such as reviewing the quarterly and annual financial statements and the performance and effectiveness of internal and external auditors, the Audit Committee reviews management's report on internal control over financial reporting (SOX 404), the annual report on the internal control system and the annual compliance report.

Within the Executive Board of the Group, the Chief Risk Officer (CRO) is responsible for providing risk management oversight and for establishing an organizational basis to manage and report on all risk management matters. The Capital Allocation & Risk Management Committee (CARMC), the Risk Processes & Standards Committee and the Reputational Risk & Sustainability Committee have been established at senior management level to further support the risk management function. CARMC is comprised of at least five members of the Executive Board and senior management appointed by the CEO and operates rotating through the following three cycles: (i) Asset & Liability Management including capital, funding and liquidity; (ii) Market & Credit Risks; and (iii) Internal Control Systems including operational risks, legal and compliance issues and internal control matters. CARMC may delegate its authority to set and approve certain limits for position risk, funding, liquidity and capital to the CRO or divisional risk management committees. The divisional risk management committees regularly review and discuss division-specific market and credit risk matters, operational risks, legal and compliance issues and internal control matters.

During the reporting period, the Board of Directors received the quarterly risk reports from the CRO and the annual internal control system and compliance reports from the office of the General Counsel, which formed the basis of the Board of Directors' risk reviews. Additional risk information was provided at each meeting of the Risk Committee and at most Board meetings. The Board of Directors, assisted by its Risk and Audit Committees, performed a systematic risk assessment in accordance with established policies and procedures.

# Controls and procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Group has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Group CEO and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2013, the design and operation of the Group's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Group is responsible for establishing and maintaining adequate internal control over financial reporting. The Group's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Group's internal control over financial reporting as of December 31, 2013 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework (1992)".

Based upon its review and evaluation, management, including the Group CEO and CFO, has concluded that the Group's internal control over financial reporting is effective as of December 31, 2013.

KPMG AG, the Group's independent auditors, have issued an unqualified opinion on the effectiveness of the Group's internal control over financial reporting as of December 31, 2013, as stated in their report, which follows.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Group's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

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**Audit Financial Services**
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Report of the Independent Registered Public Accounting Firm to the General Meeting of Shareholders of

**Credit Suisse Group AG, Zurich**

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We have audited Credit Suisse Group AG and subsidiaries' (the "Group") internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's board of directors and management are responsible for maintaining effective internal control over financial reporting and the Group's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Group as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2013, and our report dated April 3, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

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

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

# VI

# Parent company financial statements – Credit Suisse Group

## Parent company financial statements



## Notes to the financial statements

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

**Credit Suisse Group AG, Zurich**

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As statutory auditor, we have audited the accompanying financial statements of Credit Suisse Group AG (the "Group"), which comprise the balance sheet, income statement and notes for the year ended December 31, 2013.

*Board of Directors' Responsibility*

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

*Auditor's Responsibility*

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

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

*Opinion*

In our opinion, the financial statements for the year ended December 31, 2013 comply with Swiss law and the Group's articles of incorporation.

KPMG



**Report on Other Legal Requirements**

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

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

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

KPMG AG

| | |
|---|---|
| Simon Ryder | Ralph Dicht |
| *Licensed Audit Expert* | *Licensed Audit Expert* |
| *Auditor in Charge* | |

Zurich, Switzerland
April 3, 2014

# Parent company financial statements

## Statements of income

| in | 2013 | 2012 |
|---|---|---|
| **Income (CHF million)** | | |
| Dividend income from investments in group companies | 381 | 272 |
| Other financial income | 62 | 82 |
| Gain on sale of noncurrent assets | 35 | 145 |
| Other income | 192 | 167 |
| **Total income** | **670** | **666** |
| **Expenses (CHF million)** | | |
| Financial expenses | 125 | 223 |
| Compensation and benefits | 67 | 60 |
| Other expenses | 37 | 43 |
| Tax expense | 32 | 16 |
| **Total expenses** | **261** | **342** |
| **Net income** | **409** | **324** |

## Balance sheets

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash with group companies | | 795 | 19 |
| Receivables from third parties | | 7 | 8 |
| Accrued income and prepaid expenses – group companies | | 235 | 161 |
| **Total current assets** | | **1,037** | **188** |
| Investments in group companies | 4 | 40,440 | 38,534 |
| Long-term loans to group companies | | 4,588 | 4,459 |
| Financial investments | | 173 | 51 |
| **Total noncurrent assets** | | **45,201** | **43,044** |
| **Total assets** | | **46,238** | **43,232** |
| **Liabilities and shareholders' equity (CHF million)** | | | |
| Payables to third parties | | 3 | 25 |
| Payables to group companies | | 2,876 | 3,376 |
| Accrued expenses and deferred income – third parties | | 87 | 65 |
| Accrued expenses and deferred income – group companies | | 35 | 23 |
| **Total short-term liabilities** | | **3,001** | **3,489** |
| Bonds | 5 | 2,292 | – |
| Long-term loans from group companies | | 761 | 812 |
| Provisions | | 312 | 312 |
| **Total long-term liabilities** | | **3,365** | **1,124** |
| **Total liabilities** | | **6,366** | **4,613** |
| Share capital | 8 | 64 | 53 |
| General reserves | 9 | 1,800 | 4,810 |
| Reserves from capital contributions | | 18,504 | 14,661 |
| General legal reserves | | 20,304 | 19,471 |
| Reserves for own shares | 6 | 3,929 | 3,929 |
| Free reserves | | 10,500 | 10,500 |
| Retained earnings brought forward | | 4,666 | 4,342 |
| Net income | | 409 | 324 |
| Retained earnings | | 5,075 | 4,666 |
| **Total shareholders' equity** | | **39,872** | **38,619** |
| **Total liabilities and shareholders' equity** | | **46,238** | **43,232** |

# Notes to the financial statements

## 1 Accounting principles

The financial statements of Credit Suisse Group AG are prepared in accordance with the regulations of the Swiss Code of Obligations and are stated in Swiss francs (CHF). The financial year ends on December 31.

## 2 Contingent liabilities

| end of | **2013** | 2012 |
|---|---|---|
| **CHF million** | | |
| Aggregate indemnity liabilities, guarantees and other contingent liabilities (net of exposures recorded as liabilities) | 43,857 | 51,363 |
| of which have been entered into on behalf of subsidiaries | 43,857 | 51,363 |

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

## 3 Compensation to members of the Executive Board and the Board of Directors

As required by applicable Swiss law (Article 663b bis and Article 663c, paragraph 3 of the Swiss Code of Obligations), the following disclosure describes compensation paid to and equity holdings of the members of the Board of Directors (Board) and the members of the Executive Board as well as loans granted to this group of people and persons and companies related to them.

### Executive Board compensation

### Executive Board compensation for 2013

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million, except where indicated)** | | | | | | | | |
| 9 members | 14.08 | 3.93 | 21.86 [5] | 21.58 | 0.58 | 2.74 | – | **64.77** |
| % of total compensation | 22% | 6% | 34% | 33% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.69 | 2.77 | 3.46 | 0.01 | 0.36 | – | **9.79** |
| % of total compensation | 26% | 7% | 28% | 35% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses and child allowances.
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 During 2013, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 4.8 million of charitable contributions made by the Group for which the CEO and three other Executive Board members are able to make recommendations.
5 Short-term incentive 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 UK Code Staff under the regulations of the PRA and the Executive Board member that stepped down. The applicable Group share price for all share awards was CHF 28.78.

### Executive Board compensation for 2012

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2012 (CHF million, except where indicated)** | | | | | | | | |
| 13 members [5] | 17.75 | 13.56 [6] | 20.95 [7] | 15.40 | 4.28 | 2.18 | – | **74.12** |
| % of total compensation | 24% | 18% | 28% | 21% | | | | |
| of which highest paid: Robert Shafir | 1.40 | 0.70 | 3.50 | 2.80 | 1.91 [8] | 0.28 | – | **10.59** |
| % of total compensation | 13% | 7% | 33% | 26% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.50 | 2.50 | 2.00 | 0.04 | 0.23 | – | **7.77** |
| % of total compensation | 32% | 6% | 32% | 26% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest.
2 Share awards 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.
3 During 2012, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations.
5 Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012.
6 Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012.
7 All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62.
8 CHF 1.87 million of this amount was granted as carried interest in 2012. In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

### Other aspects of Executive Board compensation

#### Charitable contributions

Consistent with the prior three years, a portion of the Executive Board incentive compensation pool for 2013 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 4.8 million for 2013. The contributions will benefit eligible registered charities. The CEO and three other Executive Board members are able to make recommendations in respect of the allocation of the 2013 contributions to various specific charities.

### 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, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group during 2013.

### 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, 2013.

### 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 | Number of options | Value of unvested awards at grant (CHF) | Current value of unvested awards (CHF) |
|---|---|---|---|---|---|---|---|
| **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** |
| **December 31, 2012** | | | | | | | |
| Brady W. Dougan | 906,929 | 666,068 | 1,572,997 | 76,102 | – | 18,945,613 | 19,815,939 |
| Romeo Cerutti | 80,279 | 320,261 | 400,540 | 23,272 | – | 8,446,679 | 9,172,331 |
| Tobias Guldimann | 57,763 | 375,725 | 433,488 | 29,090 | – | 9,964,935 | 10,808,561 |
| David R. Mathers | 0 | 461,439 | 461,439 | 15,130 | 1,095 [2] | 11,174,895 | 12,724,392 |
| Hans-Ulrich Meister | 178,198 | 550,776 | 728,974 | 46,546 | – | 14,848,594 | 15,948,497 |
| Robert S. Shafir | 387,544 | 736,377 | 1,123,921 | 62,320 | – | 19,807,159 | 21,325,210 |
| Pamela A. Thomas-Graham | 4,583 | 239,137 | 243,720 | 14,382 | – | 6,342,875 | 6,768,957 |
| Eric M. Varvel | 62,169 | 454,785 | 516,954 | 55,470 | – | 13,996,715 | 13,623,809 |
| **Total** | **1,677,465** [3] | **3,804,568** | **5,482,033** | **322,312** | **1,095** | **103,527,465** | **110,187,696** |

[1] Includes shares that were initially granted as deferred compensation and have vested.
[2] Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60.
[3] In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities were converted into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.

#### Executive Board loans

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. As of December 31, 2013, 2012 and 2011, outstanding loans to Executive Board members amounted to CHF 10 million, CHF 8 million and CHF 22 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2013 was three and four, respectively, and the highest loan outstanding was USD 5 million to Eric Varvel.

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.

## Board of Directors compensation

### Board of Directors compensation for 2013

| in | Base board fee | Committee fee | Additional fees[1] | Other compensation categories[2] | **Total compensation** | Awarded in cash | % of total compensation | Awarded in Group shares | % of total compensation | Number of Group shares[3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2013/2014 (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 of Directors compensation for 2012

| in | Base board fee | Committee fee | Additional fees [1] | Other compensation categories [2] | **Total compensation** | Awarded in cash | % of total compensation | Awarded in Group shares | % of total compensation | Number of Group shares [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012/2013 (CHF)** | | | | | | | | | | |
| Urs Rohner, Chairman [4] | 2,500,000 | – | 2,500,000 | 234,881 | 5,234,881 | 3,984,881 | 76% | 1,250,000 | 24% | 50,772 |
| Peter Brabeck-Letmathe, Vice-Chairman [5] | 400,000 | – | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Jassim Bin Hamad J.J. Al Thani [5] | 250,000 | – | – | – | 250,000 | 125,000 | 50% | 125,000 | 50% | 5,641 |
| Robert H. Benmosche [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Iris Bohnet [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Noreen Doyle [5] | 250,000 | 100,000 | 182,600 | – | 532,600 | 357,600 | 67% | 175,000 | 33% | 7,898 |
| Jean-Daniel Gerber [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Walter B. Kielholz [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Andreas N. Koopmann [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Jean Lanier [5] | 250,000 | 250,000 | – | – | 500,000 | 250,000 | 50% | 250,000 | 50% | 11,282 |
| Anton van Rossum [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Aziz R.D. Syriani, Chairman of the Compensation Committee [4] | 350,000 | – | 400,000 | – | 750,000 | 522,500 | 70% | 227,500 | 30% | 9,241 |
| David W. Syz [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Richard E. Thornburgh, Chairman of the Risk Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| John Tiner, Chairman of the Audit Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| **Total** | **6,550,000** | **1,150,000** | **5,082,600** | **234,881** | **13,017,481** | **8,514,981** | **65%** | **4,502,500** | **35%** | **192,020** |

1 Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited.

2 Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits.

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 share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62.

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, 2012 to April 27, 2013. 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 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

## Former members of the Board of Directors

Two former members of the Board of Directors 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 of Directors or related parties during 2013.

## Board of Directors shareholdings and loans

### Board of Directors shareholdings

The table below discloses the shareholdings of the Board of Directors members, their immediate family and companies in which they have a controlling interest. As of December 31, 2013, there were no Board of Directors members with outstanding options.

### Board of Directors shareholdings by individual

| in | **2013** | 2012 |
|---|---|---|
| **December 31 (shares)** [1] | | |
| Urs Rohner | 230,402 | 244,422 |
| Peter Brabeck-Letmathe | 144,186 | 120,999 |
| Jassim Bin Hamad J.J. Al Thani | 17,918 | 11,790 |
| Iris Bohnet | 15,464 | 7,898 |
| Noreen Doyle | 49,014 | 41,324 |
| Jean-Daniel Gerber | 17,701 | 9,826 |
| Walter B. Kielholz | 316,675 | 292,424 |
| Andreas N. Koopmann | 42,569 | 30,469 |
| Jean Lanier | 44,951 | 43,881 |
| Kai S. Nargolwala | 114,666 | – |
| Anton van Rossum | 56,464 | 48,598 |
| Richard E. Thornburgh | 212,530 | 218,456 |
| John Tiner | 48,471 | 24,799 |
| **Total** | **1,311,011** | **1,094,886** [2, 3] |

[1] Includes Group shares that are subject to a blocking period of up to four years.
[2] In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz R.D. Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities were converted into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.
[3] Excludes 30,872, 76,774 and 92,745 shares held by Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz, respectively, as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

### Board loans

The majority of loans outstanding to members of the Board of Directors are mortgages or loans against securities. Such loans are made to Board of Directors members on the same terms available to third-party clients. As of December 31, 2013, 2012 and 2011, outstanding loans to Board of Directors members amounted to CHF 55 million, CHF 41 million and CHF 34 million, respectively.

Board of Directors members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Board of Directors 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 of Directors 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 of Directors members have a significant influence as defined by the US Securities and Exchange Commission. 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, 2013, 2012 and 2011, 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.

### Board of Directors loans by individual

| in | **2013** | 2012 |
|---|---|---|
| **December 31 (CHF)** | | |
| Urs Rohner | 4,968,270 | 5,034,157 |
| Peter Brabeck-Letmathe | 40,631,650 | 27,520,527 |
| Walter B. Kielholz | 4,000,000 | 4,200,000 |
| Andreas N. Koopmann | 4,933,650 | 2,775,000 |
| Richard E. Thornburgh | 222,756 | – |
| **Total** [1] | **54,756,326** | **39,529,684** [2] |

[1] Includes loans to immediate family members.
[2] Excludes a loan of CHF 1,500,000 held by David W. Syz as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

## Banking relationships

▸ Refer to "Banking relationships" and "Related party transactions" in Note 29 – Related parties in V – Consolidated financial statements – Credit Suisse Group for further information.

## 4 Principal participations

▸ Refer to "Note 39 – Significant subsidiaries and equity method investments" in V – Consolidated financial statements – Credit Suisse Group for further information on the company's principal participations.

## 5 Bonds

| end of | Interest rate | Issue date | First call date | Maturity date | **2013** |
| --- | --- | --- | --- | --- | --- |
| **Bonds (CHF million)** | | | | | |
| Low-trigger tier 1 capital instruments – CHF 290 million | 6.0% | September 4, 2013 | September 4, 2018 | Perpetual | 290 |
| Low-trigger tier 1 capital instruments – USD 2,250 million | 7.5% | December 11, 2013 | December 11, 2023 | Perpetual | 2,002 |
| **Total** | | | | | **2,292** |

## 6 Own shares held by the company and by group companies

| | **2013** | | 2012 | |
| --- | --- | --- | --- | --- |
| | Share equivalents | CHF million | Share equivalents | CHF million |
| **Balance at beginning of financial year** | | | | |
| Physical holdings | 27,036,831 | 602 | 4,010,074 | 89 |
| Holdings, net of pending obligations | 167,682 | 4 | 1,718,838 | 38 |
| **Balance at end of financial year** | | | | |
| Physical holdings [1] | 5,183,154 | 141 | 27,036,831 | 602 |
| Holdings, net of pending obligations | (452,459) | (12) | 167,682 | 4 |

[1] Representing 0.3% and 2.0% of issued shares as of December 31, 2013 and 2012, respectively.

## 7 Significant shareholders

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 8 Share capital, conditional, conversion and authorized capital of Credit Suisse Group

| | No. of shares | Par value in CHF | No. of shares issued | Par value in CHF |
|---|---|---|---|---|
| Share capital as of December 31, 2012 | | | 1,320,829,922 | 52,833,197 |
| **Conditional capital** | | | | |
| Warrants and convertible bonds | | | | |
| Capital as of December 31, 2012 | 483,506,127 | 19,340,245 | | |
| Conversion of mandatory and contingent convertible securities on April 8, 2013 | (83,506,127) | (3,340,245) | 83,506,127 | 3,340,245 |
| **Capital as of December 31, 2013** | 400,000,000 [1] | 16,000,000 | | |
| Staff shares | | | | |
| Capital as of December 31, 2012 | 21,482,190 | 859,288 | | |
| Subscriptions in 2013 – before AGM | (18,822,723) | (752,909) | 18,822,723 | 752,909 |
| AGM of April 26, 2013 – increase | 27,340,533 | 1,093,621 | | |
| Subscriptions in 2013 – after AGM | (18,950,402) | (758,016) | 18,950,402 | 758,016 |
| **Capital as of December 31, 2013** | 11,049,598 | 441,984 | | |
| **Conversion capital** | | | | |
| Capital as of December 31, 2012 | 200,000,000 | 8,000,000 | | |
| Conversion of mandatory and contingent convertible securities on April 8, 2013 | (50,000,000) | (2,000,000) | 50,000,000 | 2,000,000 |
| **Capital as of December 31, 2013** | 150,000,000 [2] | 6,000,000 | | |
| **Authorized capital** | | | | |
| Capital as of December 31, 2012 | 92,315,800 | 3,692,632 | | |
| Conversion of mandatory and contingent convertible securities on April 8, 2013 | (66,457,888) | (2,658,316) | 66,457,888 | 2,658,316 |
| AGM of April 26, 2013 – increase | 124,142,088 | 4,965,684 | | |
| Stock dividend in May 2013 | (37,552,287) | (1,502,091) | 37,552,287 | 1,502,091 |
| **Capital as of December 31, 2013** | 112,447,713 | 4,497,909 | | |
| **Share capital as of December 31, 2013** | | | **1,596,119,349** | **63,844,774** |

[1] 400.0 million shares reserved for high-trigger capital instruments.
[2] 98.9 million shares reserved for high-trigger capital instruments.

## 9 General reserves

General reserves were CHF 1,800 million as of the end of 2013 compared to CHF 4,810 million as of the end of 2012. The decrease of CHF 3,010 million was related to the conversion and settlement of mandatory and contingent convertible securities (MACCS) issued in July 2012. On April 8, 2013, the Group settled and delivered 199,964,015 newly issued shares in connection with the conversion of MACCS and, after the issuance of the shares, transferred CHF 8 million, representing the par value of the issued shares, to share capital, and CHF 3,002 million, representing the capital surplus, to reserves from capital contributions.

## 10 Risk assessment

▸ Refer to "Note 43 – Risk assessment" in V – Consolidated financial statements – Credit Suisse Group for further information on the company's risk assessment in accordance with the Swiss Code of Obligations.

# Proposed appropriation of retained earnings and capital distribution

## Proposed appropriation of retained earnings

| end of | 2013 |
|---|---|
| **Retained earnings (CHF million)** | |
| Retained earnings brought forward | 4,666 |
| Net income | 409 |
| **Retained earnings available for appropriation** | **5,075** |
| To be carried forward | 5,075 |
| **Total** | **5,075** |

## Proposed distribution out of reserves from capital contributions

| | 2013 |
|---|---|
| **Reserves from capital contributions (CHF million)** | |
| **Balance at beginning of year** | **14,661** |
| Capital surplus for issued registered shares | 3,999 |
| Cash distribution | (154) |
| Distribution of newly issued registered shares (stock dividend) | (2) |
| **Balance at end of year** | **18,504** |
| Distribution of CHF 0.70 per registered share in cash [1] | (1,117) |
| **Balance after distribution** | **17,387** |

[1] 1,596.1 million registered shares – net of own shares held by the company – at December 31, 2013. The number of registered shares eligible for distribution may change due to the issuance of new registered shares and activities in own shares.

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Confirmation to the Board of Directors relating to the Conditional Increase of Share Capital of

**Credit Suisse Group AG, Zurich**

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We have been engaged to audit the issuance of new shares during the period from 1 January 2013 to 3 April 2013 according to the resolutions of the general meeting of shareholders from 29 September 2000 in accordance with article 653f para. 1 CO.

It is the responsibility of the board of directors to issue the new shares in accordance with the provisions in the articles of incorporation. Our responsibility is to audit whether the issuance has been conducted in accordance with the provisions of Swiss law and the articles of incorporation. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance that material breaches of Swiss law or the articles of incorporation are recognized. We have performed the procedures deemed necessary under the circumstances and believe that our audit provides a reasonable basis for our opinion.

In our opinion, the issuance of 18,822,723 registered shares with nominal value of CHF 0.04 each and a total nominal value of CHF 752,908.92 complies with Swiss law and the articles of incorporation.

KPMG AG

Simon Ryder
*Licensed Audit Expert*

Ralph Dicht
*Licensed Audit Expert*

Zurich, 3 April 2013

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Independent Auditor's Report to the Board of Directors of

**Credit Suisse Group AG, Zurich**

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We have audited the issue of new shares by Credit Suisse Group AG during the period from 4 April 2013 to 31 December 2013 pursuant to the resolution of the General Meeting of Shareholders of 26 April 2013 in accordance with article 653f para. 1 Code of Obligations (CO).

**Board of Directors' Responsibility**

The Board of Directors is responsible for the issue of new shares in accordance with the legal requirements and the company's articles of incorporation.

**Auditor's Responsibility**

Our responsibility is to express an opinion based on our audit as to whether the issue of new shares complies with Swiss law and the company's articles of incorporation. 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 issue of new shares complies with the legal requirements and the company's articles of incorporation.

An audit involves performing procedures to obtain audit evidence so that material breaches of the legal requirements and the company's articles of incorporation for the issue of new shares may be identified with reasonable assurance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material breaches of the requirements concerning the issue of new shares, whether due to fraud or error.

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

**Opinion**

In our opinion, the issue of 18,950,402 registered shares with a nominal value of CHF 0.04 complies with Swiss law and the company's articles of incorporation.

KPMG AG

| | |
|---|---|
| Simon Ryder | Ralph Dicht |
| *Licensed Audit Expert* | *Licensed Audit Expert* |

Zurich, 5 February 2014

# VII

# Consolidated financial statements – Credit Suisse (Bank)

## Consolidated financial statements



## Notes to the consolidated financial statements

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Report of the Independent Registered Public Accounting Firm

**Credit Suisse AG, Zurich**

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We have audited the accompanying consolidated balance sheets of Credit Suisse AG and subsidiaries (the "Bank") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Bank's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 3, 2014 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

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

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

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# Consolidated financial statements

## Consolidated statements of operations

| | Reference to notes | 2013 | 2012 | in 2011 |
|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | |
| Interest and dividend income | 6 | 19,021 | 21,544 | 22,411 |
| Interest expense | 6 | (11,306) | (14,734) | (16,404) |
| Net interest income | 6 | 7,715 | 6,810 | 6,007 |
| Commissions and fees | 7 | 13,058 | 12,549 | 12,360 |
| Trading revenues | 8 | 2,764 | 1,329 | 4,741 |
| Other revenues | 9 | 1,793 | 2,490 | 1,745 |
| **Net revenues** | | **25,330** | **23,178** | **24,853** |
| **Provision for credit losses** | 10 | **93** | **88** | **123** |
| Compensation and benefits | 11 | 11,187 | 12,219 | 12,976 |
| General and administrative expenses | 12 | 8,654 | 7,204 | 7,328 |
| Commission expenses | | 1,726 | 1,685 | 1,915 |
| Total other operating expenses | | 10,380 | 8,889 | 9,243 |
| **Total operating expenses** | | **21,567** | **21,108** | **22,219** |
| **Income from continuing operations before taxes** | | **3,670** | **1,982** | **2,511** |
| Income tax expense | 26 | 1,177 | 447 | 444 |
| **Income from continuing operations** | | **2,493** | **1,535** | **2,067** |
| Income/(loss) from discontinued operations, net of tax | 4 | 145 | (40) | (25) |
| **Net income** | | **2,638** | **1,495** | **2,042** |
| Net income/(loss) attributable to noncontrolling interests | | 860 | (600) | 901 |
| **Net income/(loss) attributable to shareholder** | | **1,778** | **2,095** | **1,141** |
| of which from continuing operations | | 1,633 | 2,135 | 1,166 |
| of which from discontinued operations | | 145 | (40) | (25) |

## Consolidated statements of comprehensive income

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Comprehensive income (CHF million)** | | | |
| Net income | 2,638 | 1,495 | 2,042 |
| Gains/(losses) on cash flow hedges | 2 | 7 | (32) |
| Foreign currency translation | (2,215) | (1,233) | (293) |
| Unrealized gains/(losses) on securities | (18) | (43) | (3) |
| Actuarial gains/(losses) | (43) | 58 | 142 |
| Net prior service credit/(cost) | 0 | (1) | (1) |
| Other comprehensive income/(loss), net of tax | (2,274) | (1,212) | (187) |
| **Comprehensive income** | **364** | **283** | **1,855** |
| **Comprehensive income/(loss) attributable to noncontrolling interests** | **824** | **(811)** | **940** |
| **Comprehensive income attributable to shareholder** | **(460)** | **1,094** | **915** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | | 68,077 | 61,376 |
| of which reported at fair value | | 527 | 569 |
| of which reported from consolidated VIEs | | 952 | 1,750 |
| Interest-bearing deposits with banks | | 3,385 | 3,719 |
| of which reported at fair value | | 311 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 13 | 160,013 | 183,446 |
| of which reported at fair value | | 96,587 | 113,664 |
| of which reported from consolidated VIEs | | 1,959 | 117 |
| Securities received as collateral, at fair value | | 22,800 | 30,045 |
| of which encumbered | | 17,964 | 17,767 |
| Trading assets, at fair value | 14 | 229,736 | 256,602 |
| of which encumbered | | 72,976 | 70,948 |
| of which reported from consolidated VIEs | | 3,610 | 4,697 |
| Investment securities | 15 | 1,627 | 1,939 |
| of which reported at fair value | | 1,627 | 1,939 |
| of which reported from consolidated VIEs | | 100 | 23 |
| Other investments | 16 | 10,207 | 11,816 |
| of which reported at fair value | | 7,590 | 8,892 |
| of which reported from consolidated VIEs | | 1,983 | 2,289 |
| Net loans | 17 | 231,157 | 227,498 |
| of which reported at fair value | | 19,457 | 20,000 |
| of which encumbered | | 638 | 535 |
| of which reported from consolidated VIEs | | 4,207 | 6,053 |
| allowance for loan losses | | (691) | (721) |
| Premises and equipment | 18 | 4,895 | 5,416 |
| of which reported from consolidated VIEs | | 481 | 546 |
| Goodwill | 19 | 7,121 | 7,510 |
| Other intangible assets | 20 | 210 | 243 |
| of which reported at fair value | | 42 | 43 |
| Brokerage receivables | | 52,044 | 45,768 |
| Other assets | 21 | 61,556 | 72,782 |
| of which reported at fair value | | 31,518 | 37,259 |
| of which encumbered | | 722 | 1,495 |
| of which reported from consolidated VIEs | | 14,329 | 14,508 |
| Assets of discontinued operations held-for-sale | | 1,584 | – |
| **Total assets** | | **854,412** | **908,160** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (continued)

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 22 | 23,147 | 30,574 |
| of which reported at fair value | | 1,460 | 3,431 |
| Customer deposits | 22 | 321,851 | 297,690 |
| of which reported at fair value | | 3,241 | 4,626 |
| of which reported from consolidated VIEs | | 265 | 247 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 13 | 94,032 | 132,721 |
| of which reported at fair value | | 76,104 | 108,784 |
| Obligation to return securities received as collateral, at fair value | | 22,800 | 30,045 |
| Trading liabilities, at fair value | 14 | 76,812 | 91,091 |
| of which reported from consolidated VIEs | | 93 | 125 |
| Short-term borrowings | | 20,193 | 14,838 |
| of which reported at fair value | | 6,053 | 4,513 |
| of which reported from consolidated VIEs | | 4,286 | 5,779 |
| Long-term debt | 23 | 126,641 | 146,997 |
| of which reported at fair value | | 61,853 | 64,774 |
| of which reported from consolidated VIEs | | 12,992 | 14,532 |
| Brokerage payables | | 73,154 | 64,676 |
| Other liabilities | 21 | 51,079 | 57,367 |
| of which reported at fair value | | 21,971 | 26,799 |
| of which reported from consolidated VIEs | | 710 | 1,164 |
| Liabilities of discontinued operations held-for-sale | | 1,140 | – |
| **Total liabilities** | | **810,849** | **865,999** |
| Common shares / participation securities | | 4,400 | 4,400 |
| Additional paid-in capital | | 34,617 | 28,686 |
| Retained earnings | | 15,169 | 13,637 |
| Accumulated other comprehensive income/(loss) | 24 | (14,194) | (11,956) |
| **Total shareholder's equity** | | **39,992** | **34,767** |
| Noncontrolling interests | | 3,571 | 7,394 |
| **Total equity** | | **43,563** | **42,161** |
| **Total liabilities and equity** | | **854,412** | **908,160** |

| end of | 2013 | 2012 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 1.00 | 100.00 |
| Issued shares | 4,399,665,200 | 43,996,652 |
| Shares outstanding | 4,399,665,200 | 43,996,652 |

The Bank's total share capital is fully paid and consists of 4,399,665,200 and 43,996,652 registered shares as of December 31, 2013 and 2012, respectively. The increase in the number of shares reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participation securities | Additional paid-in capital | Retained earnings | Treasury shares, at cost [1] | Accumulated other comprehensive income | **Total shareholder's equity** | Noncontrolling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **28,686** | **13,637** | **0** | **(11,956)** | **34,767** | **7,394** | **42,161** |
| Purchase of subsidiary shares from noncontrolling interests, changing ownership | – | – | – | – | – | – | (22) | (22) |
| Purchase of subsidiary shares from noncontrolling interests, not changing ownership [2, 3] | – | – | – | – | – | – | (5,060) | (5,060) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [3] | – | – | – | – | – | – | 693 | 693 |
| Net income/(loss) | – | – | 1,778 | – | – | 1,778 | 872 [4] | 2,650 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,238) | (2,238) | (36) | (2,274) |
| Share-based compensation, net of tax | – | 196 [5] | – | – | – | 196 | – | 196 |
| Dividends on share-based compensation, net of tax | – | (87) | – | – | – | (87) | – | (87) |
| Dividends paid | – | – | (246) | – | – | (246) | (59) | (305) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (211) | (211) |
| Other | – | 5,835 [6] | – | – | – | 5,835 | – | 5,835 |
| **Balance at end of period** | **4,400** | **34,617** | **15,169** | **0** | **(14,194)** | **39,992** | **3,571** | **43,563** |
| **2012 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **24,134** | **11,824** | **0** | **(10,955)** | **29,403** | **8,948** | **38,351** |
| Purchase of subsidiary shares from noncontrolling interests, changing ownership | – | 252 | – | – | – | 252 | (90) | 162 |
| Purchase of subsidiary shares from noncontrolling interests, not changing ownership | – | – | – | – | – | – | (875) | (875) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 240 | 240 |
| Net income/(loss) | – | – | 2,095 | – | – | 2,095 | (589) | 1,506 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,001) | (1,001) | (211) | (1,212) |
| Share-based compensation, net of tax | – | 889 | – | – | – | 889 | – | 889 |
| Dividends on share-based compensation, net of tax | – | (50) | – | – | – | (50) | – | (50) |
| Dividends paid | – | – | (267) | – | – | (267) | (54) | (321) |
| Changes in redeemable noncontrolling interests | – | (7) | – | – | – | (7) | – | (7) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 25 | 25 |
| Other | – | 3,468 | (15) | – | – | 3,453 | – | 3,453 |
| **Balance at end of period** | **4,400** | **28,686** | **13,637** | **0** | **(11,956)** | **34,767** | **7,394** | **42,161** |

1 Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
2 Distributions to owners in funds include the return of original capital invested and any related dividends.
3 Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
4 Net income attributable to noncontrolling interests excludes CHF (12) million due to redeemable noncontrolling interests.
5 Includes a net tax charge of CHF 24 million from the excess recognized compensation expense over fair value of shares delivered.
6 Includes a contribution in kind of preferred shares in Credit Suisse Holdings (USA), Inc. from Credit Suisse Group AG to Credit Suisse AG and a capital contribution from Credit Suisse Group AG to Credit Suisse AG.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in equity (continued)

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participa- tion secu- rities | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu- lated other compre- hensive income | **Total share- holder's equity** | Non- controlling interests | **Total equity** |
| **2011 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **24,993** | **11,105** | **0** | **(10,729)** | **29,769** | **11,381** | **41,150** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | (5) | – | – | – | (5) | 4 | (1) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (3,369) | (3,369) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 544 | 544 |
| Net income/(loss) | – | – | 1,141 | – | – | 1,141 | 852 | 1,993 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (226) | (226) | 39 | (187) |
| Issuance of common shares | – | (2) | – | – | – | (2) | – | (2) |
| Sale of treasury shares | – | 3 | – | 612 | – | 615 | – | 615 |
| Repurchase of treasury shares | – | – | – | (612) | – | (612) | – | (612) |
| Share-based compensation, net of tax | – | (145) | – | – | – | (145) | (2) | (147) |
| Dividends on share-based compensation, net of tax | – | (85) | – | – | – | (85) | – | (85) |
| Dividends paid | – | – | (422) | – | – | (422) | (59) | (481) |
| Changes in redeemable noncontrolling interests | – | (625) | – | – | – | (625) | (140) | (765) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (302) | (302) |
| **Balance at end of period** | **4,400** | **24,134** | **11,824** | **0** | **(10,955)** | **29,403** | **8,948** | **38,351** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | |
| **Net income** | **2,638** | **1,495** | **2,042** |
| (Income)/loss from discontinued operations, net of tax | (145) | 40 | 25 |
| **Income from continuing operations** | **2,493** | **1,535** | **2,067** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | | |
| Impairment, depreciation and amortization | 1,337 | 1,264 | 1,181 |
| Provision for credit losses | 93 | 88 | 123 |
| Deferred tax provision/(benefit) | 668 | (180) | 39 |
| Share of net income/(loss) from equity method investments | 33 | 35 | (41) |
| Trading assets and liabilities, net | 10,443 | (14,033) | 38,728 |
| (Increase)/decrease in other assets | (3,249) | (1,122) | (7,724) |
| Increase/(decrease) in other liabilities | 10,126 | (4,214) | 5,645 |
| Other, net | 94 | 4,644 | (2,923) |
| Total adjustments | 19,545 | (13,518) | 35,028 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **22,038** | **(11,983)** | **37,095** |
| **Investing activities of continuing operations (CHF million)** | | | |
| (Increase)/decrease in interest-bearing deposits with banks | 443 | 315 | (1,020) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 17,120 | 46,933 | (14,681) |
| Purchase of investment securities | (676) | (276) | (1,232) |
| Proceeds from sale of investment securities | 176 | 936 | 2,118 |
| Maturities of investment securities | 673 | 1,442 | 2,294 |
| Investments in subsidiaries and other investments | (1,338) | (1,947) | (1,410) |
| Proceeds from sale of other investments | 3,165 | 2,918 | 6,324 |
| (Increase)/decrease in loans | (7,850) | (10,251) | (14,813) |
| Proceeds from sales of loans | 1,483 | 1,090 | 689 |
| Capital expenditures for premises and equipment and other intangible assets | (895) | (1,227) | (1,727) |
| Proceeds from sale of premises and equipment and other intangible assets | 9 | 26 | 11 |
| Other, net | 115 | 3,676 | 189 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **12,425** | **43,635** | **(23,258)** |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flows (continued)

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | | |
| Increase/(decrease) in due to banks and customer deposits | 22,347 | (14,454) | 27,429 |
| Increase/(decrease) in short-term borrowings | 6,002 | (11,643) | 4,098 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (36,347) | (39,958) | 7,182 |
| Issuances of long-term debt | 37,914 | 37,217 | 33,650 |
| Repayments of long-term debt | (56,312) | (54,465) | (36,591) |
| Issuances of common shares | 0 | 0 | (2) |
| Sale of treasury shares | 0 | 0 | 615 |
| Repurchase of treasury shares | 0 | 0 | (612) |
| Dividends paid | (305) | (321) | (481) |
| Excess tax benefits related to share-based compensation | 0 | 42 | 0 |
| Other, net | 1,181 | 3,603 | (2,779) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(25,520)** | **(79,979)** | **32,509** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(1,215)** | **(1,175)** | **(691)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | |
| **Net cash provided by/(used in) discontinued operations** | **(1,027)** | **(346)** | **222** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | |
| **Net increase/(decrease) in cash and due from banks** | **6,701** | **(49,848)** | **45,877** |
| Cash and due from banks at beginning of period | 61,376 | 111,224 | 65,347 |
| **Cash and due from banks at end of period** | **68,077** | **61,376** | **111,224** |

## Supplemental cash flow information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | | |
| Cash paid for income taxes | 769 | 962 | 1,038 |
| Cash paid for interest | 11,686 | 14,881 | 17,100 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | | |
| Fair value of assets acquired | 4 | 2,418 | 0 |
| Fair value of liabilities assumed | 0 | 2,418 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | | |
| Assets sold | 338 | 0 | 0 |
| Liabilities sold | 162 | 0 | 0 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), a Swiss bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation which had no impact on net income/(loss) or total shareholder's equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

### Pensions and other post-retirement benefits

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

### Own shares, own bonds and financial instruments on Group shares

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.

## 2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial position, results of operations or cash flows was or is expected to be identical.

## 3 Business developments and subsequent events

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 4 Discontinued operations

In July 2013, the Bank completed the sale of its exchange-traded funds (ETF) business to BlackRock and recognized a pre-tax gain on disposal of CHF 146 million in the third quarter of 2013 net of allocated goodwill of CHF 72 million. The sale price received by the Bank may increase through future contingent payments, if specified thresholds are met. BlackRock is a company unrelated to the Bank.

In August 2013, the Bank announced the sale of Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management. This transaction was completed in January 2014 and related gains of approximately CHF 90 million will be recognized in the first quarter of 2014. As of December 31, 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Bank will continue to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Bank.

In August 2013, the Bank completed the sale of Strategic Partners, its dedicated secondary private equity business, to Blackstone and recognized a pre-tax gain on disposal of CHF 91 million in the third quarter of 2013 net of allocated goodwill of CHF 37 million. The Bank will continue to receive carried interest from (and guarantee related claw-back obligations), hold limited partner interests in, and have unfunded commitments to, investment funds managed by Strategic Partners. The Bank will also continue to guarantee minimum investment returns to certain third-party investors under existing side letter agreements. Blackstone is a company unrelated to the Bank.

In December 2013, the Bank completed the spin-off of DLJ Investment Partners, a dedicated private equity mezzanine investment business of the Bank, to Portfolio Advisors, LLC with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for any of the periods reported. Portfolio Advisors, LLC is a company unrelated to the Bank.

In December 2013, the Bank announced the sale of its domestic private banking business booked in Germany (German private banking business) to ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of December 31, 2013, the German private banking business had total assets and liabilities of CHF 1,553 million and CHF 1,140 million, respectively, that were held-for-sale. ABN AMRO is a company unrelated to the Bank.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Assets held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Cash | 960 |
| Loans | 575 |
| Other assets | 18 |
| **Total assets held-for-sale** | **1,553** |
| **CFIG (CHF million)** | |
| Fees receivable | 8 |
| Goodwill | 23 |
| **Total assets held-for-sale** | **31** |
| **Bank (CHF million)** | |
| **Total assets held-for-sale** | **1,584** |

### Liabilities held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Deposits | 1,118 |
| Other liabilities | 22 |
| **Total liabilities held-for-sale** | **1,140** |
| **Bank (CHF million)** | |
| **Total liabilities held-for-sale** | **1,140** |

## Income/(loss) from discontinued operations

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operations-related (CHF million)** | | | |
| **Net revenues** | **233** | **288** | **284** |
| of which German private banking business | 52 | 54 | 61 |
| of which ETF business | 29 | 53 | 36 |
| of which Strategic Partners | 33 | 60 | 42 |
| of which CFIG | 114 | 116 | 127 |
| Operating expenses | 158 | 296 | 294 |
| of which German private banking business | 71 | 108 | 98 |
| of which ETF business | 23 | 49 | 50 |
| of which Strategic Partners | 8 | 38 | 30 |
| of which CFIG | 51 | 88 | 98 |
| Income tax expense/(benefit) | 38 | 32 | 15 |
| of which German private banking business | (6) | 2 | (11) |
| of which ETF business | 5 | 2 | (2) |
| of which Strategic Partners | 10 | 15 | 7 |
| of which CFIG | 29 | 16 | 21 |
| **Income/(loss), net of tax** | **37** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 1 | 2 | (12) |
| of which Strategic Partners | 15 | 7 | 5 |
| of which CFIG | 34 | 12 | 8 |
| **Transaction-related (CHF million)** | | | |
| **Gain on disposal** | **237** | **–** | **–** |
| of which ETF business | 146 | – | – |
| of which Strategic Partners | 91 | – | – |
| Transaction-related expenses | 93 | – | – |
| of which ETF business | 11 | – | – |
| of which Strategic Partners | 22 | – | – |
| of which CFIG | 56 | – | – |
| Income tax expense/(benefit) | 36 | – | – |
| of which ETF business | 21 | – | – |
| of which Strategic Partners | 40 | – | – |
| of which CFIG | (24) | – | – |
| **Income/(loss), net of tax** | **108** | **–** | **–** |
| of which ETF business | 114 | – | – |
| of which Strategic Partners | 29 | – | – |
| of which CFIG | (32) | – | – |
| **Discontinued operations – total (CHF million)** | | | |
| **Income/(loss) from discontinued operations, net of tax** | **145** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 115 | 2 | (12) |
| of which Strategic Partners | 44 | 7 | 5 |
| of which CFIG | 2 | 12 | 8 |

## 5 Segment information

For the purposes of the presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Private Banking & Wealth Management. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2013, 2012 and 2011 was CHF 243 million, CHF 237 million and CHF 259 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 659 million, CHF 684 million and CHF 707 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2013 and 2012, were CHF 25.4 billion and CHF 25.8 billion, respectively.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Net revenues and income/(loss) from continuing operations before taxes

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Private Banking & Wealth Management | 13,442 | 13,474 | 13,397 |
| Investment Banking | 12,565 | 12,558 | 10,460 |
| Adjustments [1, 2] | (677) | (2,854) | 996 |
| **Net revenues** | **25,330** | **23,178** | **24,853** |
| **Income/(loss) before taxes (CHF million)** | | | |
| Private Banking & Wealth Management | 3,240 | 3,775 | 2,961 |
| Investment Banking | 1,719 | 2,002 | (593) |
| Adjustments [1, 3] | (1,289) | (3,795) | 143 |
| **Income before taxes** | **3,670** | **1,982** | **2,511** |

1 Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.
2 Includes noncontrolling interest-related revenues of CHF 682 million, CHF 365 million and CHF 900 million in 2013, 2012 and 2011, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such revenues.
3 Includes noncontrolling interest income of CHF 635 million, CHF 307 million and CHF 816 million in 2013, 2012 and 2011, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such income.

### Total assets

| end of | **2013** | 2012 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Private Banking & Wealth Management | 279,139 | 275,683 |
| Investment Banking | 502,799 | 563,758 |
| Adjustments [1] | 72,474 | 68,719 |
| **Total assets** | **854,412** | **908,160** |

Beginning in the first quarter of 2013, segment assets exclude intra-group balances between the segments. Prior period has been reclassified to conform to the current presentation.
1 Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

## Net revenues and income/(loss) from continuing operations before taxes by geographic location

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Switzerland | 7,479 | 7,968 | 7,754 |
| EMEA | 4,797 | 3,444 | 6,389 |
| Americas | 10,847 | 9,942 | 9,011 |
| Asia Pacific | 2,207 | 1,824 | 1,699 |
| **Net revenues** | **25,330** | **23,178** | **24,853** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 300 | 1,170 | (176) |
| EMEA | 195 | (1,374) | 1,312 |
| Americas | 3,317 | 3,023 | 2,330 |
| Asia Pacific | (142) | (837) | (955) |
| **Income from continuing operations before taxes** | **3,670** | **1,982** | **2,511** |

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

## Total assets by geographic location

| end of | 2013 | 2012 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Switzerland | 181,584 | 183,735 |
| EMEA | 194,825 | 221,476 |
| Americas | 398,127 | 422,181 |
| Asia Pacific | 79,876 | 80,768 |
| **Total assets** | **854,412** | **908,160** |

The designation of total assets by region is based upon customer domicile.

# 6 Net interest income

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 4,323 | 4,318 | 4,307 |
| Investment securities | 28 | 52 | 74 |
| Trading assets | 10,058 | 11,949 | 11,700 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 2,517 | 2,940 | 3,265 |
| Other | 2,095 | 2,285 | 3,065 |
| Interest and dividend income | 19,021 | 21,544 | 22,411 |
| Deposits | (958) | (1,324) | (1,650) |
| Short-term borrowings | (67) | (71) | (69) |
| Trading liabilities | (5,083) | (6,833) | (7,125) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (1,155) | (1,676) | (1,621) |
| Long-term debt | (3,794) | (4,554) | (5,537) |
| Other | (249) | (276) | (402) |
| Interest expense | (11,306) | (14,734) | (16,404) |
| **Net interest income** | **7,715** | **6,810** | **6,007** |

## 7 Commissions and fees

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 1,774 | 1,474 | 1,247 |
| Investment and portfolio management | 3,854 | 3,625 | 3,653 |
| Other securities business | 101 | 137 | 68 |
| Fiduciary business | 3,955 | 3,762 | 3,721 |
| Underwriting | 1,681 | 1,561 | 1,479 |
| Brokerage | 3,901 | 3,654 | 4,016 |
| Underwriting and brokerage | 5,582 | 5,215 | 5,495 |
| Other services | 1,747 | 2,098 | 1,897 |
| **Commissions and fees** | **13,058** | **12,549** | **12,360** |

## 8 Trading revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 1,056 | 2,868 | 6,578 |
| Foreign exchange products | 1,202 | 560 | (4,456) |
| Equity/index-related products | 952 | 112 | 1,605 |
| Credit products | (879) | (3,306) | 522 |
| Commodity, emission and energy products | 340 | 198 | 361 |
| Other products | 93 | 897 | 131 |
| **Total** | **2,764** | **1,329** | **4,741** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to “Note 8 – Trading revenues” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 9 Other revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without significant economic interest | 695 | 333 | 794 |
| Loans held-for-sale | (5) | (37) | (4) |
| Long-lived assets held-for-sale | 30 | 456 | (43) |
| Equity method investments | 240 | 136 | 137 |
| Other investments | 255 | 752 | 330 |
| Other | 578 | 850 | 531 |
| **Other revenues** | **1,793** | **2,490** | **1,745** |

## 10 Provision for credit losses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 91 | 77 | 78 |
| Provision for lending-related and other exposures | 2 | 11 | 45 |
| **Provision for credit losses** | **93** | **88** | **123** |

## 11 Compensation and benefits

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 9,455 | 10,440 | 10,971 |
| Social security | 763 | 751 | 842 |
| Other [1] | 969 | 1,028 | 1,163 |
| **Compensation and benefits [2]** | **11,187** | **12,219** | **12,976** |

[1] Includes pension and other post-retirement expense of CHF 658 million, CHF 747 million and CHF 926 million in 2013, 2012 and 2011, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 218 million, CHF 427 million and CHF 576 million as of 2013, 2012 and 2011, respectively.

▸ Refer to "Note 11 – Compensation and benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 12 General and administrative expenses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 1,168 | 1,191 | 1,094 |
| IT, machinery, etc. | 1,508 | 1,456 | 1,433 |
| Provisions and losses | 2,136 | 682 | 707 |
| Travel and entertainment | 342 | 380 | 425 |
| Professional services | 1,912 | 1,868 | 2,016 |
| Goodwill impairment | 12 | 0 | 0 |
| Amortization and impairment of other intangible assets | 25 | 28 | 30 |
| Other | 1,551 | 1,599 | 1,623 |
| **General and administrative expenses** | **8,654** | **7,204** | **7,328** |

## 13 Securities borrowed, lent and subject to repurchase agreements

| end of | 2013 | 2012 |
|---|---|---|
| **Securities borrowed or purchased under agreements to resell (CHF million)** | | |
| Central bank funds sold and securities purchased under resale agreements | 100,235 | 121,234 |
| Deposits paid for securities borrowed | 59,778 | 62,212 |
| **Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions** | **160,013** | **183,446** |
| **Securities lent or sold under agreements to repurchase (CHF million)** | | |
| Central bank funds purchased and securities sold under repurchase agreements | 86,828 | 120,164 |
| Deposits received for securities lent | 7,204 | 12,557 |
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions** | **94,032** | **132,721** |

▸ Refer to "Note 14 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 14 Trading assets and liabilities

| end of | **2013** | 2012 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 110,115 | 135,814 |
| Equity securities [1] | 76,835 | 74,945 |
| Derivative instruments [2] | 31,787 | 33,416 |
| Other | 10,999 | 12,427 |
| **Trading assets** | **229,736** | **256,602** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 40,162 | 51,501 |
| Derivative instruments [2] | 36,650 | 39,590 |
| **Trading liabilities** | **76,812** | **91,091** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | **2013** | 2012 |
|---|---|---|
| **Cash collateral – netted (CHF million)** [1] | | |
| Cash collateral paid | 23,929 | 36,715 |
| Cash collateral received | 20,512 | 33,274 |
| **Cash collateral – not netted (CHF million)** [2] | | |
| Cash collateral paid | 8,359 | 10,904 |
| Cash collateral received | 11,664 | 12,224 |

[1] Recorded as cash collateral netting on derivative instruments in Note 25 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 21 – Other assets and other liabilities.

## 15 Investment securities

| end of | 2013 | 2012 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 1,627 | 1,939 |
| **Total investment securities** | **1,627** | **1,939** |

### Investment securities by type

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| **2013 (CHF million)** | | | | | | | | |
| Debt securities issued by foreign governments | 1,136 | 29 | 1 | 1,164 | 1,288 | 67 | 0 | 1,355 |
| Corporate debt securities | 262 | 0 | 0 | 262 | 465 | 0 | 0 | 465 |
| Collateralized debt obligations | 100 | 0 | 0 | 100 | 23 | 1 | 0 | 24 |
| Debt securities available-for-sale | 1,498 | 29 | 1 | 1,526 | 1,776 | 68 | 0 | 1,844 |
| Banks, trust and insurance companies | 74 | 18 | 0 | 92 | 73 | 14 | 0 | 87 |
| Industry and all other | 9 | 0 | 0 | 9 | 8 | 0 | 0 | 8 |
| Equity securities available-for-sale | 83 | 18 | 0 | 101 | 81 | 14 | 0 | 95 |
| **Securities available-for-sale** | **1,581** | **47** | **1** | **1,627** | **1,857** | **82** | **0** | **1,939** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **2013 (CHF million)** | | | | | | |
| Debt securities issued by foreign governments | 89 | 1 | 0 | 0 | 89 | 1 |
| **Debt securities available-for-sale** | **89** | **1** | **0** | **0** | **89** | **1** |

There were no unrealized losses on investment securities in 2012. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | | | |
| Proceeds from sales | 163 | 13 | 294 | 642 | 2,117 | 1 |
| Realized gains | 7 | 1 | 14 | 294 | 40 | 0 |
| Realized losses | 0 | 0 | (2) | 0 | (22) | 0 |

**Amortized cost, fair value and average yield of debt securities**

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2013 (CHF million)** | | | |
| Due within 1 year | 386 | 388 | 1.13 |
| Due from 1 to 5 years | 1,012 | 1,038 | 2.01 |
| Due from 5 to 10 years | 100 | 100 | 2.62 |
| **Total debt securities** | **1,498** | **1,526** | **1.82** |

## 16 Other investments

| end of | **2013** | 2012 |
|---|---|---|
| **Other investments (CHF million)** | | |
| Equity method investments | 2,008 | 2,147 |
| Non-marketable equity securities [1] | 5,988 | 7,156 |
| Real estate held for investment | 557 | 641 |
| Life finance instruments [2] | 1,654 | 1,872 |
| Total other investments | **10,207** | **11,816** |

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.
[2] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

‣ Refer to "Note 33 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 48 million, CHF 13 million and CHF 3 million were recorded in 2013, 2012 and 2011, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 289 million, CHF 280 million and CHF 278 million for 2013, 2012 and 2011, respectively.

‣ Refer to "Note 17 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 17 Loans, allowance for loan losses and credit quality

| end of | 2013 | 2012 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 81,115 | 78,328 |
| Loans collateralized by securities | 31,472 | 27,248 |
| Consumer finance | 3,025 | 3,931 |
| Consumer | 115,612 | 109,507 |
| Real estate [1] | 24,673 | 23,209 |
| Commercial and industrial loans [1] | 60,375 | 59,837 |
| Financial institutions [1] | 28,473 | 33,624 |
| Governments and public institutions [1] | 2,864 | 2,163 |
| Corporate & institutional | 116,385 | 118,833 |
| **Gross loans** | **231,997** | **228,340** |
| of which held at amortized cost | 212,540 | 208,340 |
| of which held at fair value | 19,457 | 20,000 |
| Net (unearned income)/deferred expenses | (149) | (121) |
| Allowance for loan losses | (691) | (721) |
| **Net loans** | **231,157** | **227,498** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 135,813 | 135,439 |
| Foreign | 96,184 | 92,901 |
| **Gross loans** | **231,997** | **228,340** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 659 | 637 |
| Non-interest-earning loans | 255 | 281 |
| Total non-performing and non-interest-earning loans | 914 | 918 |
| Restructured loans | 6 | 30 |
| Potential problem loans | 274 | 450 |
| Total other impaired loans | 280 | 480 |
| **Gross impaired loans** | **1,194** | **1,398** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

## Allowance for loan losses

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **143** | **578** | **721** | **159** | **563** | **722** | **157** | **675** | **832** |
| Changes in scope of consolidation | 0 | (1) | (1) | (18) | 0 | **(18)** | 0 | 0 | **0** |
| Net movements recognized in statements of operations | 7 | 84 | 91 | 26 | 51 | 77 | 21 | 57 | 78 |
| Gross write-offs | (38) | (147) | (185) | (42) | (80) | (122) | (58) | (175) | (233) |
| Recoveries | 20 | 30 | 50 | 19 | 20 | 39 | 33 | 4 | 37 |
| Net write-offs | (18) | (117) | (135) | (23) | (60) | (83) | (25) | (171) | (196) |
| Provisions for interest | 5 | 20 | 25 | 4 | 20 | 24 | 0 | 11 | 11 |
| Foreign currency translation impact and other adjustments, net | (3) | (7) | (10) | (5) | 4 | (1) | 6 | (9) | (3) |
| **Balance at end of period** | **134** | **557** | **691** | **143** | **578** | **721** | **159** | **563** | **722** |
| of which individually evaluated for impairment | 104 | 407 | 511 | 116 | 416 | 532 | 130 | 387 | 517 |
| of which collectively evaluated for impairment | 30 | 150 | 180 | 27 | 162 | 189 | 29 | 176 | 205 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **115,601** | **96,939** | **212,540** | **109,495** | **98,845** | **208,340** | **105,561** | **94,000** | **199,561** |
| of which individually evaluated for impairment [1] | 354 | 840 | 1,194 | 422 | 976 | 1,398 | 425 | 947 | 1,372 |
| of which collectively evaluated for impairment | 115,247 | 96,099 | 211,346 | 109,073 | 97,869 | 206,942 | 105,136 | 93,053 | 198,189 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 4,611 | 4,611 | 348 | 4,605 | 4,953 | 0 | 4,121 | 4,121 |
| Reclassifications from loans held-for-sale [2] | 0 | 275 | 275 | 0 | 216 | 216 | 0 | 0 | 0 |
| Reclassifications to loans held-for-sale [3] | 0 | 996 | 996 | 0 | 1,323 | 1,323 | 0 | 1,363 | 1,363 |
| Sales [3] | 0 | 698 | 698 | 0 | 1,058 | 1,058 | 0 | 1,117 | 1,117 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | | | | |
| Mortgages | 295 | 2,189 | 16,030 | 49,618 | 12,052 | 732 | 36 | 0 | 0 | 163 | 81,115 |
| Loans collateralized by securities | 182 | 348 | 4,208 | 24,442 | 2,101 | 89 | 2 | 6 | 0 | 94 | 31,472 |
| Consumer finance | 0 | 14 | 222 | 2,339 | 335 | 19 | 0 | 0 | 0 | 85 | 3,014 |
| Consumer | 477 | 2,551 | 20,460 | 76,399 | 14,488 | 840 | 38 | 6 | 0 | 342 | 115,601 |
| Real estate | 1,343 | 991 | 3,330 | 12,484 | 5,701 | 308 | 0 | 1 | 0 | 69 | 24,227 |
| Commercial and industrial loans | 135 | 675 | 1,716 | 20,337 | 21,620 | 3,453 | 227 | 6 | 0 | 596 | 48,765 |
| Financial institutions | 1,319 | 1,689 | 10,274 | 6,045 | 2,436 | 776 | 14 | 1 | 0 | 112 | 22,666 |
| Governments and public institutions | 37 | 275 | 141 | 386 | 146 | 73 | 223 | 0 | 0 | 0 | 1,281 |
| Corporate & institutional | 2,834 | 3,630 | 15,461 | 39,252 | 29,903 | 4,610 | 464 | 8 | 0 | 777 | 96,939 |
| **Gross loans held at amortized cost** | **3,311** | **6,181** | **35,921** | **115,651** | **44,391** | **5,450** | **502** | **14** | **0** | **1,119** | **212,540** |
| Value of collateral [1] | 2,540 | 4,842 | 26,486 | 107,470 | 37,699 | 3,066 | 85 | 0 | 0 | 514 | 182,702 |
| **2012 (CHF million)** | | | | | | | | | | | |
| Mortgages | 378 | 708 | 11,277 | 51,295 | 14,088 | 413 | 8 | 8 | 0 | 153 | 78,328 |
| Loans collateralized by securities | 79 | 57 | 944 | 23,289 | 2,686 | 91 | 6 | 1 | 0 | 95 | 27,248 |
| Consumer finance | 0 | 6 | 98 | 3,171 | 473 | 18 | 0 | 0 | 1 | 152 | 3,919 |
| Consumer | 457 | 771 | 12,319 | 77,755 | 17,247 | 522 | 14 | 9 | 1 | 400 | 109,495 |
| Real estate [2] | 330 | 367 | 2,039 | 13,397 | 6,522 | 159 | 0 | 0 | 0 | 50 | 22,864 |
| Commercial and industrial loans [2] | 142 | 307 | 1,442 | 21,079 | 21,319 | 3,268 | 203 | 1 | 40 | 676 | 48,477 |
| Financial institutions [2] | 2,288 | 2,086 | 12,490 | 5,168 | 3,552 | 381 | 0 | 33 | 14 | 147 | 26,159 |
| Governments and public institutions | 68 | 34 | 324 | 464 | 125 | 101 | 229 | 0 | 0 | 0 | 1,345 |
| Corporate & institutional | 2,828 | 2,794 | 16,295 | 40,108 | 31,518 | 3,909 | 432 | 34 | 54 | 873 | 98,845 |
| **Gross loans held at amortized cost** | **3,285** | **3,565** | **28,614** | **117,863** | **48,765** | **4,431** | **446** | **43** | **55** | **1,273** | **208,340** |
| Value of collateral [1] | 2,899 | 2,577 | 18,358 | 107,275 | 40,170 | 2,835 | 170 | 43 | 4 | 664 | 174,995 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

## Gross loans held at amortized cost – aging analysis

| | Current | | | | | Past due | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31-60 days | 61-90 days | More than 90 days | Total | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 80,823 | 103 | 25 | 24 | 140 | 292 | 81,115 |
| Loans collateralized by securities | 31,272 | 95 | 2 | 12 | 91 | 200 | 31,472 |
| Consumer finance | 2,650 | 277 | 38 | 28 | 21 | 364 | 3,014 |
| Consumer | 114,745 | 475 | 65 | 64 | 252 | 856 | 115,601 |
| Real estate | 24,139 | 18 | 2 | 1 | 67 | 88 | 24,227 |
| Commercial and industrial loans | 48,035 | 272 | 73 | 72 | 313 | 730 | 48,765 |
| Financial institutions | 22,477 | 84 | 2 | 1 | 102 | 189 | 22,666 |
| Governments and public institutions | 1,276 | 5 | 0 | 0 | 0 | 5 | 1,281 |
| Corporate & institutional | 95,927 | 379 | 77 | 74 | 482 | 1,012 | 96,939 |
| **Gross loans held at amortized cost** | **210,672** | **854** | **142** | **138** | **734** | **1,868** | **212,540** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 78,023 | 154 | 14 | 10 | 127 | 305 | 78,328 |
| Loans collateralized by securities | 26,919 | 220 | 3 | 3 | 103 | 329 | 27,248 |
| Consumer finance | 3,508 | 314 | 33 | 26 | 38 | 411 | 3,919 |
| Consumer | 108,450 | 688 | 50 | 39 | 268 | 1,045 | 109,495 |
| Real estate [1] | 22,709 | 106 | 2 | 2 | 45 | 155 | 22,864 |
| Commercial and industrial loans [1] | 47,334 | 640 | 22 | 136 | 345 | 1,143 | 48,477 |
| Financial institutions [1] | 25,926 | 53 | 2 | 34 | 144 | 233 | 26,159 |
| Governments and public institutions | 1,310 | 35 | 0 | 0 | 0 | 35 | 1,345 |
| Corporate & institutional | 97,279 | 834 | 26 | 172 | 534 | 1,566 | 98,845 |
| **Gross loans held at amortized cost** | **205,729** | **1,522** | **76** | **211** | **802** | **2,611** | **208,340** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

### Gross impaired loans by category

| | Non-performing and non-interest earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 144 | 7 | 151 | 0 | 21 | 21 | 172 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 5 | 5 | 96 |
| Consumer finance | 81 | 5 | 86 | 0 | 0 | 0 | 86 |
| Consumer | 245 | 83 | 328 | 0 | 26 | 26 | 354 |
| Real estate | 52 | 13 | 65 | 0 | 5 | 5 | 70 |
| Commercial and industrial loans | 291 | 126 | 417 | 6 | 215 | 221 | 638 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 414 | 172 | 586 | 6 | 248 | 254 | 840 |
| **Gross impaired loans** | **659** | **255** | **914** | **6** | **274** | **280** | **1,194** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 125 | 9 | 134 | 0 | 39 | 39 | 173 |
| Loans collateralized by securities | 18 | 74 | 92 | 0 | 3 | 3 | 95 |
| Consumer finance | 143 | 10 | 153 | 0 | 1 | 1 | 154 |
| Consumer | 286 | 93 | 379 | 0 | 43 | 43 | 422 |
| Real estate | 42 | 4 | 46 | 0 | 15 | 15 | 61 |
| Commercial and industrial loans | 251 | 146 | 397 | 30 | 327 | 357 | 754 |
| Financial institutions | 58 | 38 | 96 | 0 | 65 | 65 | 161 |
| Corporate & institutional | 351 | 188 | 539 | 30 | 407 | 437 | 976 |
| **Gross impaired loans** | **637** | **281** | **918** | **30** | **450** | **480** | **1,398** |

As of December 31, 2013 and 2012, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2013 and 2012, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

In 2013, 2012 and 2011, the number of troubled debt restructurings and related financial effects and the number of defaults and related carrying values of loans, which had been restructured within the previous 12 months, were not material.

## Gross impaired loan details

| end of | Recorded investment 2013 | Unpaid principal balance 2013 | Associated specific allowance 2013 | Recorded investment 2012 | Unpaid principal balance 2012 | Associated specific allowance 2012 |
|---|---|---|---|---|---|---|
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 162 | 153 | 16 | 149 | 141 | 16 |
| Loans collateralized by securities | 67 | 63 | 54 | 68 | 66 | 53 |
| Consumer finance | 68 | 67 | 34 | 129 | 125 | 47 |
| Consumer | 297 | 283 | 104 | 346 | 332 | 116 |
| Real estate | 68 | 63 | 13 | 58 | 54 | 18 |
| Commercial and industrial loans | 629 | 584 | 312 | 627 | 592 | 306 |
| Financial institutions | 131 | 127 | 82 | 157 | 154 | 92 |
| Corporate & institutional | 828 | 774 | 407 | 842 | 800 | 416 |
| **Gross impaired loans with a specific allowance** | **1,125** | **1,057** | **511** | **1,188** | **1,132** | **532** |
| Mortgages | 10 | 10 | – | 24 | 24 | – |
| Loans collateralized by securities | 29 | 29 | – | 27 | 27 | – |
| Consumer finance | 18 | 18 | – | 25 | 25 | – |
| Consumer | 57 | 57 | – | 76 | 76 | – |
| Real estate | 2 | 2 | – | 3 | 3 | – |
| Commercial and industrial loans | 9 | 9 | – | 127 | 128 | – |
| Financial institutions | 1 | 1 | – | 4 | 4 | – |
| Corporate & institutional | 12 | 12 | – | 134 | 135 | – |
| **Gross impaired loans without specific allowance** | **69** | **69** | **–** | **210** | **211** | **–** |
| **Gross impaired loans** | **1,194** | **1,126** | **511** | **1,398** | **1,343** | **532** |
| of which consumer | 354 | 340 | 104 | 422 | 408 | 116 |
| of which corporate & institutional | 840 | 786 | 407 | 976 | 935 | 416 |

## Gross impaired loan details (continued)

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 154 | 1 | 1 | 152 | 1 | 1 | 142 | 1 | 1 |
| Loans collateralized by securities | 70 | 2 | 2 | 68 | 1 | 0 | 82 | 1 | 0 |
| Consumer finance | 87 | 0 | 0 | 117 | 3 | 3 | 135 | 2 | 2 |
| Consumer | 311 | 3 | 3 | 337 | 5 | 4 | 359 | 4 | 3 |
| Real estate | 67 | 1 | 1 | 43 | 0 | 0 | 28 | 0 | 0 |
| Commercial and industrial loans | 669 | 5 | 5 | 556 | 3 | 2 | 812 | 7 | 6 |
| Financial institutions | 136 | 0 | 0 | 191 | 2 | 2 | 147 | 0 | 0 |
| Governments and public institutions | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0 | 0 |
| Corporate & institutional | 872 | 6 | 6 | 796 | 5 | 4 | 993 | 7 | 6 |
| **Gross impaired loans with a specific allowance** | **1,183** | **9** | **9** | **1,133** | **10** | **8** | **1,352** | **11** | **9** |
| Mortgages | 19 | 0 | 0 | 27 | 0 | 0 | 68 | 0 | 0 |
| Loans collateralized by securities | 27 | 0 | 0 | 8 | 0 | 0 | 4 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 41 | 0 | 0 | 19 | 0 | 0 |
| Consumer | 68 | 0 | 0 | 76 | 0 | 0 | 91 | 0 | 0 |
| Real estate | 11 | 0 | 0 | 12 | 0 | 0 | 74 | 5 | 5 |
| Commercial and industrial loans | 58 | 0 | 0 | 199 | 3 | 3 | 130 | 0 | 0 |
| Financial institutions | 2 | 0 | 0 | 8 | 0 | 0 | 19 | 0 | 0 |
| Corporate & institutional | 71 | 0 | 0 | 219 | 3 | 3 | 223 | 5 | 5 |
| **Gross impaired loans without specific allowance** | **139** | **0** | **0** | **295** | **3** | **3** | **314** | **5** | **5** |
| **Gross impaired loans** | **1,322** | **9** | **9** | **1,428** | **13** | **11** | **1,666** | **16** | **14** |
| of which consumer | 379 | 3 | 3 | 413 | 5 | 4 | 450 | 4 | 3 |
| of which corporate & institutional | 943 | 6 | 6 | 1,015 | 8 | 7 | 1,216 | 12 | 11 |

▸ Refer to “Note 18 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 18 Premises and equipment

| end of | 2013 | 2012 |
|---|---|---|
| **Premises and equipment (CHF million)** | | |
| Buildings and improvements | 2,201 | 2,210 |
| Land | 466 | 476 |
| Leasehold improvements | 2,031 | 2,159 |
| Software | 5,734 | 5,323 |
| Equipment | 2,288 | 3,080 |
| **Premises and equipment** | **12,720** | **13,248** |
| Accumulated depreciation | (7,825) | (7,832) |
| **Total premises and equipment, net** | **4,895** | **5,416** |

### Depreciation and impairment

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **CHF million** | | | |
| Depreciation | 1,227 | 1,218 | 1,067 |
| Impairment | 65 | 17 | 84 |

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 57 million (CHF 50 million after tax).

## 19 Goodwill

| end of | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| | Private Banking & Wealth Management | Investment Banking | **Credit Suisse (Bank)** | Private Banking & Wealth Management | Investment Banking | **Credit Suisse (Bank)** |
| **Gross amount of goodwill (CHF million)** | | | | | | |
| **Balance at beginning of period** | **2,210** | **5,382** | **7,592** | **2,260** | **5,522** | **7,782** |
| Goodwill acquired during the year | 3 | 0 | 3 | 28 | 0 | 28 |
| Discontinued operations | (127) | 0 | (127) | 0 | 0 | 0 |
| Foreign currency translation impact | (72) | (141) | (213) | (65) | (138) | (203) |
| Other | (36) | (4) | (40) | (13) | (2) | (15) |
| **Balance at end of period** | **1,978** | **5,237** | **7,215** | **2,210** | **5,382** | **7,592** |
| **Accumulated impairment (CHF million)** | | | | | | |
| **Balance at beginning of period** | **0** | **82** | **82** | **0** | **82** | **82** |
| Impairment losses | 12 | 0 | 12 | 0 | 0 | 0 |
| **Balance at end of period** | **12** | **82** | **94** | **0** | **82** | **82** |
| **Net book value (CHF million)** | | | | | | |
| **Net book value** | **1,966** | **5,155** | **7,121** | **2,210** | **5,300** | **7,510** |

▸ Refer to “Note 20 – Goodwill” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 20 Other intangible assets

| end of | Gross carrying amount | Accumu-lated amorti-zation | Net carrying amount | Gross carrying amount | Accumu-lated amorti-zation | Net carrying amount |
|---|---|---|---|---|---|---|
| | | | **2013** | | | 2012 |
| **Other intangible assets (CHF million)** | | | | | | |
| Trade names/trademarks | 25 | (21) | 4 | 25 | (21) | 4 |
| Client relationships | 222 | (106) | 116 | 303 | (142) | 161 |
| Other | 7 | (1) | 6 | 8 | (2) | 6 |
| **Total amortizing other intangible assets** | **254** | **(128)** | **126** | **336** | **(165)** | **171** |
| Non-amortizing other intangible assets | 84 | – | 84 | 72 | – | 72 |
| of which mortgage servicing rights, at fair value | 42 | – | 42 | 43 | – | 43 |
| **Total other intangible assets** | **338** | **(128)** | **210** | **408** | **(165)** | **243** |

### Additional information

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Aggregate amortization and impairment (CHF million)** | | | |
| Aggregate amortization | 24 | 28 | 30 |
| Impairment | 8 | 0 | 0 |
| of which related to discontinued operations | 7 | 0 | 0 |

### Estimated amortization

| **Estimated amortization (CHF million)** | |
|---|---|
| 2014 | 18 |
| 2015 | 18 |
| 2016 | 17 |
| 2017 | 17 |
| 2018 | 16 |

▸ Refer to "Note 21 – Other intangible assets" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 21 Other assets and other liabilities

| end of | 2013 | 2012 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 8,359 | 10,904 |
| Cash collateral on non-derivative transactions | 1,412 | 1,995 |
| Derivative instruments used for hedging | 2,062 | 3,913 |
| Assets held-for-sale | 19,306 | 20,343 |
| of which loans [1] | 18,914 | 19,894 |
| of which real estate | 392 | 442 |
| Assets held for separate accounts | 11,236 | 13,414 |
| Interest and fees receivable | 4,839 | 5,845 |
| Deferred tax assets | 6,179 | 7,094 |
| Prepaid expenses | 568 | 532 |
| Failed purchases | 2,365 | 2,699 |
| Other | 5,230 | 6,043 |
| **Other assets** | **61,556** | **72,782** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 11,664 | 12,224 |
| Cash collateral on non-derivative transactions | 955 | 1,246 |
| Derivative instruments used for hedging | 384 | 1,114 |
| Provisions [2] | 2,630 | 1,348 |
| of which off-balance sheet risk | 59 | 59 |
| Liabilities held for separate accounts | 11,236 | 13,414 |
| Interest and fees payable | 5,569 | 6,556 |
| Current tax liabilities | 805 | 811 |
| Deferred tax liabilities | 80 | 103 |
| Failed sales | 2,396 | 4,336 |
| Other | 15,360 | 16,215 |
| **Other liabilities** | **51,079** | **57,367** |

[1] Included as of December 31, 2013 and 2012 were CHF 1,778 million and CHF 3,730 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 769 million and CHF 922 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.
[2] Includes provisions for bridge commitments.

## 22 Deposits

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Switzerland | Foreign | Total | Switzerland | Foreign | Total |
| **Deposits (CHF million)** | | | | | | |
| Non-interest-bearing demand deposits | 4,735 | 4,336 | 9,071 | 8,282 | 4,521 | 12,803 |
| Interest-bearing demand deposits | 137,274 | 27,169 | 164,443 | 129,352 | 25,713 | 155,065 |
| Savings deposits | 55,637 | 26 | 55,663 | 52,534 | 44 | 52,578 |
| Time deposits | 14,655 | 101,166 | 115,821 [1] | 8,965 | 98,853 | 107,818 [1] |
| **Total deposits** | **212,301** | **132,697** | **344,998** [2] | **199,133** | **129,131** | **328,264** [2] |
| of which due to banks | – | – | 23,147 | – | – | 30,574 |
| of which customer deposits | – | – | 321,851 | – | – | 297,690 |

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.
[1] Included CHF 115,792 million and CHF 107,705 million as of December 31, 2013 and 2012, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.
[2] Not included as of December 31, 2013 and 2012 were CHF 18 million and CHF 67 million, respectively, of overdrawn deposits reclassified as loans.

## 23 Long-term debt

| end of | 2013 | 2012 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 91,893 | 112,123 |
| Subordinated | 21,756 | 20,342 |
| Non-recourse liabilities from consolidated VIEs | 12,992 | 14,532 |
| **Long-term debt** | **126,641** | **146,997** |
| of which reported at fair value | 61,853 | 64,774 |
| of which structured notes | 34,817 | 36,639 |

### Structured notes by product

| end of | 2013 | 2012 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 23,315 | 23,761 |
| Fixed income | 5,573 | 6,559 |
| Emerging markets [1] | 1,766 | 3,304 |
| Credit | 3,453 | 1,893 |
| Other | 710 | 1,122 |
| **Total structured notes** | **34,817** | **36,639** |

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

### Long-term debt by maturities

| end of | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Long-term debt (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 9,641 | 13,452 | 3,092 | 8,453 | 2,114 | 10,862 | 47,614 |
| Variable rate | 10,559 | 9,866 | 6,220 | 4,719 | 4,982 | 7,932 | 44,278 |
| Interest rates (range in %) [1] | 0.0–13.1 | 0.0–12.6 | 0.3–10.7 | 0.1–5.1 | 0.5–3.8 | 0.0–8.2 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 154 | 93 | 1,780 | 907 | 9,508 | 6,765 | 19,207 |
| Variable rate | 52 | 19 | 30 | 45 | 2,250 | 154 | 2,550 |
| Interest rates (range in %) [1] | 0.5–9.3 | 2.5–10.3 | 0.3–8.2 | 0.9–7.3 | 0.1–13.3 | 0.1–8.5 | – |
| **Non-recourse liabilities from consolidated VIEs** | | | | | | | |
| Fixed rate | 0 | 745 | 304 | 14 | 0 | 111 | 1,174 |
| Variable rate | 370 | 164 | 469 | 15 | 0 | 10,800 | 11,818 |
| Interest rates (range in %) [1] | 0.2–13.2 | 0.0–3.6 | 0.0–12.8 | 1.9–4.0 | – | 0.0–10.8 | – |
| **Total long-term debt** | **20,776** | **24,339** | **11,895** | **14,153** | **18,854** | **36,624** | **126,641** |
| of which structured notes | 8,220 | 6,843 | 5,585 | 2,821 | 4,760 | 6,588 | 34,817 |

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

▸ Refer to “Note 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 24 Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumu-lated other compre-hensive income** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **7** | **(11,349)** | **53** | **(670)** | **3** | **(11,956)** |
| Increase/(decrease) | 6 | (2,261) | (13) | (102) | 0 | (2,370) |
| Reclassification adjustments, included in net income | (4) | 83 | (5) | 58 | 0 | 132 |
| Total increase/(decrease) | 2 | (2,178) | (18) | (44) | 0 | (2,238) |
| **Balance at end of period** | **9** | **(13,527)** | **35** | **(714)** | **3** | **(14,194)** |
| **2012 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **0** | **(10,326)** | **96** | **(729)** | **4** | **(10,955)** |
| Increase/(decrease) | 7 | (1,067) | 199 | 4 | 0 | (857) |
| Reclassification adjustments, included in net income | 0 | 44 | (242) | 55 | (1) | (144) |
| Total increase/(decrease) | 7 | (1,023) | (43) | 59 | (1) | (1,001) |
| Balance at end of period | **7** | **(11,349)** | **53** | **(670)** | **3** | **(11,956)** |
| **2011 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **32** | **(9,994)** | **99** | **(871)** | **5** | **(10,729)** |
| Increase/(decrease) | (5) | (348) | 21 | 103 | 0 | (229) |
| Reclassification adjustments, included in net income | (27) | 16 | (24) | 39 | (1) | 3 |
| Total increase/(decrease) | (32) | (332) | (3) | 142 | (1) | (226) |
| **Balance at end of period** | **0** | **(10,326)** | **96** | **(729)** | **4** | **(10,955)** |

### Details of significant reclassification adjustments

| in | **2013** |
|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | |
| **Cumulative translation adjustments** | |
| Sale of subsidiaries [1] | **83** |
| **Actuarial gains/(losses)** | |
| Amortization of recognized actuarial losses [2] | 92 |
| Tax expense/(benefit) | (34) |
| Net of tax | **58** |

[1] Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.
[2] These components are included in the computation of total benefit costs. Refer to "Note 29 – Pension and other post-retirement benefits" for further information.

## 25 Offsetting of financial assets and financial liabilities

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Offsetting of derivatives

| | | 2013 | | 2012 |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 265.3 | 262.0 | 365.3 | 365.4 |
| OTC | 183.0 | 178.0 | 337.7 | 327.9 |
| Exchange-traded | 0.2 | 0.2 | 0.2 | 0.2 |
| **Interest rate products** | **448.5** | **440.2** | **703.2** | **693.5** |
| OTC | 58.4 | 68.2 | 60.4 | 73.2 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Foreign exchange products** | **58.5** | **68.4** | **60.4** | **73.2** |
| OTC | 15.5 | 18.6 | 12.7 | 15.2 |
| Exchange-traded | 14.8 | 15.1 | 13.7 | 14.1 |
| **Equity/index-related products** | **30.3** | **33.7** | **26.4** | **29.3** |
| OTC-cleared | 5.2 | 5.1 | 3.0 | 2.7 |
| OTC | 20.8 | 21.2 | 27.1 | 26.8 |
| **Credit derivatives** | **26.0** | **26.3** | **30.1** | **29.5** |
| OTC | 4.4 | 4.1 | 5.7 | 5.5 |
| Exchange-traded | 0.7 | 0.6 | 1.7 | 1.7 |
| **Other products** | **5.1** | **4.7** | **7.4** | **7.2** |
| OTC-cleared | 270.5 | 267.1 | 368.3 | 368.1 |
| OTC | 282.1 | 290.1 | 443.6 | 448.6 |
| Exchange-traded | 15.8 | 16.1 | 15.6 | 16.0 |
| **Total gross derivatives subject to enforceable master netting agreements** | **568.4** | **573.3** | **827.5** | **832.7** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (269.1) | (267.0) | (367.2) | (367.5) |
| OTC | (260.6) | (265.6) | (418.6) | (421.7) |
| Exchange-traded | (15.1) | (15.1) | (14.2) | (14.2) |
| **Offsetting** | **(544.8)** | **(547.7)** | **(800.0)** | **(803.4)** |
| of which counterparty netting | (523.8) | (523.8) | (766.7) | (766.7) |
| of which cash collateral netting | (21.0) | (23.9) | (33.3) | (36.7) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 1.4 | 0.1 | 1.1 | 0.6 |
| OTC | 21.5 | 24.5 | 25.0 | 26.9 |
| Exchange-traded | 0.7 | 1.0 | 1.4 | 1.8 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.6** | **25.6** | **27.5** | **29.3** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **10.3** | **11.4** | **9.8** | **11.4** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.9** | **37.0** | **37.3** | **40.7** |
| of which recorded in trading assets and trading liabilities | 31.8 | 36.6 | 33.4 | 39.6 |
| of which recorded in other assets and other liabilities | 2.1 | 0.4 | 3.9 | 1.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 112.0 | (25.1) | 86.9 | 141.4 | (41.1) | 100.3 |
| Securities borrowing transactions | 22.7 | (1.7) | 21.0 | 20.9 | (2.0) | 18.9 |
| **Total subject to enforceable master netting agreements** | **134.7** | **(26.8)** | **107.9** | **162.3** | **(43.1)** | **119.2** |
| **Total not subject to enforceable master netting agreements** [1] | **52.1** | **–** | **52.1** | **64.2** | **–** | **64.2** |
| **Total** | **186.8** | **(26.8)** | **160.0** [2] | **226.5** | **(43.1)** | **183.4** [2] |

1 Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
2 CHF 96,587 million and CHF 113,664 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 86.5 | (26.8) | 59.7 | 99.6 | (43.1) | 56.5 |
| Securities lending transactions | 6.6 | 0.0 | 6.6 | 10.8 | 0.0 | 10.8 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 0.0 | 18.5 | 25.9 | 0.0 | 25.9 |
| **Total subject to enforceable master netting agreements** | **111.6** | **(26.8)** | **84.8** | **136.3** | **(43.1)** | **93.2** |
| **Total not subject to enforceable master netting agreements** [1] | **32.0** | **–** | **32.0** | **69.5** | **–** | **69.5** |
| **Total** | **143.6** | **(26.8)** | **116.8** | **205.8** | **(43.1)** | **162.7** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.8 | (26.8) | 94.0 [2] | 175.8 | (43.1) | 132.7 [2] |
| of which obligation to return securities received as collateral, at fair value | 22.8 | 0.0 | 22.8 | 30.0 | 0.0 | 30.0 |

1 Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
2 CHF 76,104 million and CHF 108,784 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

## Amounts not offset in the consolidated balance sheets

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.6 | 4.9 | 0.1 | 18.6 | 27.5 | 5.8 | 0.0 | 21.7 |
| Securities purchased under resale agreements | 86.9 | 86.9 | 0.0 | 0.0 | 100.3 | 100.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 21.0 | 20.2 | 0.0 | 0.8 | 18.9 | 17.4 | 0.0 | 1.5 |
| **Total financial assets subject to enforceable master netting agreements** | **131.5** | **112.0** | **0.1** | **19.4** | **146.7** | **123.5** | **0.0** | **23.2** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 25.6 | 9.9 | 0.0 | 15.7 | 29.3 | 10.8 | 0.0 | 18.5 |
| Securities sold under repurchase agreements | 59.7 | 59.7 | 0.0 | 0.0 | 56.5 | 56.3 | 0.2 | 0.0 |
| Securities lending transactions | 6.6 | 6.2 | 0.0 | 0.4 | 10.8 | 10.2 | 0.0 | 0.6 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 17.5 | 0.0 | 1.0 | 25.9 | 24.2 | 0.0 | 1.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **110.4** | **93.3** | **0.0** | **17.1** | **122.5** | **101.5** | **0.2** | **20.8** |

1 The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 26 Tax

### Details of current and deferred taxes

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Current and deferred taxes (CHF million)** | | | |
| Switzerland | (52) | 85 | (35) |
| Foreign | 561 | 542 | 440 |
| **Current income tax expense** | **509** | **627** | **405** |
| Switzerland | (15) | (121) | (251) |
| Foreign | 683 | (59) | 290 |
| **Deferred income tax expense/(benefit)** | **668** | **(180)** | **39** |
| **Income tax expense** | **1,177** | **447** | **444** |
| Income tax expense/(benefit) on discontinued operations | 75 | 31 | 15 |
| Income tax expense/(benefit) reported in shareholder's equity related to: | | | |
| Gains/(losses) on cash flow hedges | 1 | 0 | (4) |
| Cumulative translation adjustment | 44 | (12) | 16 |
| Unrealized gains/(losses) on securities | (8) | (1) | 16 |
| Actuarial gains/(losses) | 99 | 30 | 29 |
| Net prior service cost | 0 | (2) | (1) |
| Share-based compensation and treasury shares | 1 | (53) | 275 |

### Reconciliation of taxes computed at the Swiss statutory rate

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 300 | 1,170 | (176) |
| Foreign | 3,370 | 812 | 2,687 |
| **Income from continuing operations before taxes** | **3,670** | **1,982** | **2,511** |
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | | | |
| Income tax expense computed at the statutory tax rate of 22% | 807 | 436 | 552 |
| Increase/(decrease) in income taxes resulting from | | | |
| Foreign tax rate differential | 215 | 279 | (29) |
| Non-deductible amortization of other intangible assets and goodwill impairment | 25 | 0 | 0 |
| Other non-deductible expenses | 493 | 382 | 444 |
| Additional taxable income | (5) | 6 | 6 |
| Lower taxed income | (374) | (413) | (422) |
| Income taxable to noncontrolling interests | (262) | (118) | (312) |
| Changes in tax law and rates | 184 | 182 | 170 |
| Changes in deferred tax valuation allowance | 381 | 10 | 471 |
| Tax deductible impairments of Swiss subsidiary investments | (268) | (161) | (55) |
| Other | (19) | (156) | (381) |
| **Income tax expense** | **1,177** | **447** | **444** |

**2013**

**Foreign tax rate differential** of CHF 215 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,244 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 493 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 374 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

**Changes in tax law and rates** of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 381 million included the impact of the increase of valuation allowances of CHF 245 million mainly in respect of four of the Bank's operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Bank's operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets mainly for two of the Bank's operating entities, one in Japan and one in the UK.

**Other** of CHF 19 million included a tax benefit of CHF 57 million relating to the current year's earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Bank's US entities, partially offset by a tax expense of CHF 41 million relating to the increase of tax contingency accruals and a tax expense of CHF 41 million relating to non-recoverable foreign taxes. The remaining balance included various smaller items.

**2012**

**Foreign tax rate differential** of CHF 279 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 483 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 382 million included non-deductible interest expenses of CHF 259 million, non-taxable offshore expenses of CHF 8 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 413 million included a Swiss income tax benefit of CHF 114 million as a result of foreign branch earnings beneficially impacting the earnings mix. In addition, 2012 included a tax benefit of CHF 48 million related to non-taxable life insurance income, CHF 29 million related to exempt offshore income, CHF 40 million in respect of non-taxable dividend income, CHF 11 million related to non-taxable foreign exchange gains and CHF 100 million related to tax credits. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 182 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 10 million included an increase to the valuation allowance of CHF 834 million in respect of five of the Bank's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. Additionally, 2012 included a tax benefit of CHF 820 million resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

**Other** of CHF 156 million included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. Also included was a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement and CHF 43 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

**2011**

**Foreign tax rate differential** of CHF 29 million reflected a foreign tax rate benefit in respect of profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas, partially offset by foreign tax rate differential related to profits earned in higher tax jurisdictions, mainly Brazil and the US. The foreign tax benefit in relation to foreign tax expense of CHF 730 million was more than offset by tax impacts related to reconciling items explained below.

**Other non-deductible expenses** of CHF 444 million included non-deductible interest expenses of CHF 240 million, non-taxable offshore expenses of CHF 80 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 49 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 422 million included a tax benefit of CHF 40 million related to non-taxable life insurance income, CHF 52 million related to exempt offshore income, CHF 47 million in respect of non-taxable dividend income and CHF 47 million related to non-taxable foreign exchange gains. In addition, 2011 included tax benefits of CHF 42 million related to tax credits and CHF 116 million in respect of the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 170 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 471 million included an increase to the valuation allowance of CHF 428 million in respect of three of the Bank's operating entities, two in the UK and one in Asia, mainly relating to deferred tax assets on tax loss carry-forwards. Additionally, 2011 included a tax benefit of CHF 7 million resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

**Other** of CHF 381 million included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Bank's operating entities, one in Switzerland (CHF 129 million) and one in the US (CHF 132 million). The increase is related to the re-measurement of existing deferred tax assets on net operating losses due to changes in the mix of the sources of income and related tax rates that these net operating losses are expected to be applied to. Also included was an amount of CHF 125 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2013, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 5.6 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

### Details of the tax effect of temporary differences

| end of | 2013 | 2012 |
|---|---|---|
| **Tax effect of temporary differences (CHF million)** | | |
| Compensation and benefits | 2,106 | 2,279 |
| Loans | 363 | 441 |
| Investment securities | 1,654 | 1,818 |
| Provisions | 1,874 | 1,760 |
| Derivatives | 136 | 343 |
| Real estate | 240 | 242 |
| Net operating loss carry-forwards | 4,432 | 5,177 |
| Other | 186 | 204 |
| **Gross deferred tax assets before valuation allowance** | **10,991** | **12,264** |
| Less valuation allowance | (2,704) | (2,550) |
| **Gross deferred tax assets net of valuation allowance** | **8,287** | **9,714** |
| Compensation and benefits | (120) | (164) |
| Loans | (109) | (162) |
| Investment securities | (1,089) | (1,354) |
| Provisions | (396) | (402) |
| Business combinations | 0 | (20) |
| Derivatives | (193) | (295) |
| Leasing | (53) | (40) |
| Real estate | (75) | (78) |
| Other | (153) | (208) |
| **Gross deferred tax liabilities** | **(2,188)** | **(2,723)** |
| **Net deferred tax assets** | **6,099** | **6,991** |

The decrease in net deferred tax assets from 2012 to 2013 of CHF 892 million was primarily due to the impact of taxable income in 2013 decreasing deferred tax assets by CHF 411 million and the recognition of a valuation allowance against deferred tax assets, mainly in the UK, of CHF 278 million. In addition, the decrease reflected a write-down of deferred tax assets of CHF 184 million as a result of changes to corporation tax rates in the UK, the tax impacts directly recorded in equity, mainly related to share-based compensation and other tax recorded in accumulated other comprehensive income/(loss) (AOCI) of CHF 44 million and foreign exchange translation losses of CHF 182 million, which are included within currency translation adjustments recorded in AOCI. These decreases were partially offset by an increase in net deferred tax asset balances following a re-measurement of deferred tax balances in Switzerland and the release of valuation allowances in Japan and the UK of CHF 207 million.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 2.7 billion as of December 31, 2013 compared to CHF 2.6 billion as of December 31, 2012.

### Amounts and expiration dates of net operating loss carry-forwards

| end of 2013 | Total |
|---|---|
| **Net operating loss carry-forwards (CHF million)** | |
| Due to expire within 1 year | 46 |
| Due to expire within 2 to 5 years | 10,197 |
| Due to expire within 6 to 10 years | 1,152 |
| Due to expire within 11 to 20 years | 1,375 |
| **Amount due to expire** | **12,770** |
| Amount not due to expire | 13,008 |
| **Total net operating loss carry-forwards** | **25,778** |

### Movements in the valuation allowance

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in the valuation allowance (CHF million)** | | | |
| **Balance at beginning of period** | **2,550** | **2,689** | **2,262** |
| Net changes | 154 | (139) | 427 |
| **Balance at end of period** | **2,704** | **2,550** | **2,689** |

### Tax benefits associated with share-based compensation

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Tax benefits associated with share-based compensation (CHF million)** | | | |
| Tax benefits recorded in the consolidated statements of operations | 481 | 596 | 464 |
| Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital | (24) | 30 | (277) |
| Tax benefits in respect of tax on dividend equivalent payments | 22 | 12 | 1 |

▸ Refer to "Note 27 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 0.9 billion and CHF 0.9 billion for 2013 and 2012, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 170 million tax benefit will be recorded in additional paid-in capital.

## Uncertain tax positions

### Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in gross unrecognized tax benefits (CHF million)** | | | |
| **Balance at beginning of period** | **416** | **370** | **578** |
| Increases in unrecognized tax benefits as a result of tax positions taken during a prior period | 4 | 33 | 54 |
| Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period | (8) | (58) | (177) |
| Increases in unrecognized tax benefits as a result of tax positions taken during the current period | 43 | 38 | 29 |
| Decreases in unrecognized tax benefits relating to settlements with tax authorities | 0 | (4) | (65) |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations | (5) | (43) | (19) |
| Other (including foreign currency translation) | (34) | 80 | (30) |
| **Balance at end of period** | **416** | **416** | **370** |
| of which, if recognized, would affect the effective tax rate | 410 | 410 | 364 |

### Interest and penalties

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Interest and penalties (CHF million)** | | | |
| Interest and penalties recognized in the consolidated statements of operations | 6 | (13) | (19) |
| Interest and penalties recognized in the consolidated balance sheets | 64 | 64 | 82 |

Interest and penalties are reported as tax expense. The Bank is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 74 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; Brazil – 2008; Japan – 2008; the UK – 2006; the US – 2006; and the Netherlands – 2005.

▸ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 27 Employee deferred compensation

### Deferred compensation for employees

▸ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2013 and prior years that was recognized in the consolidated statements of operations during 2013, 2012 and 2011, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2013 and prior years outstanding as of December 31, 2013 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized.

### Deferred compensation expense

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 806 | 773 | 759 |
| Performance share awards | 580 | 362 | 0 |
| Plus Bond awards [1] | 37 | – | – |
| 2011 Partner Asset Facility awards [2] | 77 | 675 | 0 |
| Adjustable Performance Plan share awards | 30 | 71 | 0 |
| Adjustable Performance Plan cash awards | 4 | 281 | 1,087 |
| Restricted Cash Awards | 145 | 165 | 252 |
| Scaled Incentive Share Units | 38 | 95 | 404 |
| Incentive Share Units [3] | (3) | 62 | 172 |
| 2008 Partner Asset Facility awards [2] | 93 | 173 | 3 |
| Other cash awards | 430 | 363 | 337 |
| Discontinued operations | (21) | (23) | (21) |
| **Total deferred compensation expense** | **2,216** | **2,997** | **2,993** |
| **Total shares delivered (million)** | | | |
| Total shares delivered | 32.6 | 30.9 | 23.7 |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.
[3] Includes forfeitures.

### Estimated unrecognized deferred compensation

| end of | **2013** |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 800 |
| Performance share awards | 219 |
| Plus Bond awards | 18 |
| Adjustable Performance Plan share awards | 10 |
| Adjustable Performance Plan cash awards | 13 |
| Restricted Cash Awards | 136 |
| Other cash awards | 107 |
| **Total** | **1,303** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

Does not include the estimated unrecognized compensation expense relating to grants made in 2014 for 2013.

### Share awards

On January 16, 2014, the Bank granted 30.1 million share awards with a total value of CHF 824 million. The estimated unrecognized compensation expense of CHF 821 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules. On January 17, 2013 and January 19, 2012, the Bank granted 37.8 million and 19.7 million share awards with a total value of CHF 947 million and CHF 432 million, respectively, equivalent to the Group's closing share price on the grant date.

On January 16, 2014, the Bank granted 0.5 million blocked shares with a total value of CHF 15 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2013. On January 17, 2013 and January 19, 2012, the Bank granted 0.1 million and 0.4 million blocked shares with a total value of CHF 3 million and CHF 9 million, respectively.

### Share award activities

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF |
| **Share awards** | | | | | | |
| **Balance at beginning of period** | **55.1** | **34.27** | **47.6** | **41.91** | **17.3** | **43.86** |
| Granted | 40.0 | 26.43 | 24.5 | 23.39 | 39.8 | 41.03 |
| Settled | (19.6) | 34.12 | (14.6) | 40.43 | (7.4) | 43.39 |
| Forfeited | (3.3) | 32.04 | (2.4) | 36.96 | (2.1) | 43.39 |
| **Balance at end of period** | **72.2** | **30.07** | **55.1** | **34.27** | **47.6** | **41.91** |
| of which vested | 5.8 | – | 3.9 | – | 1.8 | – |
| of which unvested | 66.4 | – | 51.2 | – | 45.8 | – |

### Performance share awards

On January 16, 2014, the Bank granted 23.9 million performance share awards with a total value of CHF 654 million. The estimated unrecognized compensation expense of CHF 651 million was determined based on the fair value of the award at the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period. On January 17, 2013, and January 19, 2012, the Bank granted 26.0 million and 23.2 million performance share awards with a total value of CHF 651 million and CHF 509 million.

### Performance share award activities

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF |
| **Performance share awards** | | | | |
| **Balance at beginning of period** | **22.9** | **23.90** | **–** | **–** |
| Granted | 26.2 | 26.44 | 23.3 | 23.90 |
| Settled | (7.5) | 23.90 | 0.0 | 0.00 |
| Forfeited | (0.9) | 24.92 | (0.4) | 23.90 |
| **Balance at end of period** | **40.7** | **25.51** | **22.9** | **23.90** |
| of which vested | 2.7 | – | 0.9 | – |
| of which unvested | 38.0 | – | 22.0 | – |

### Contingent Capital Awards

On January 16, 2014, the Bank awarded Contingent Capital Awards with a total value of CHF 391 million that will be expensed over the three-year period from the grant date. The estimated unrecognized compensation expense of CHF 433 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria, estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

### 2011 Partner Asset Facility

In January 2012, the Bank awarded 2011 Partner Asset Facility (PAF2) units with a fair value of CHF 497 million and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012.

### Adjustable Performance Plan Awards

In July 2012, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards. Adjustable Performance Plan holders elected to convert CHF 479 million of their Adjustable Performance Plan cash awards into the new

Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%.

Upon conversion, CHF 435 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards were reclassified to total shareholder's equity.

### Adjustable Performance Plan share award activities

| | 2013 | 2012 |
|---|---|---|
| | Number of APP share awards in million | Number of APP share awards in million |
| **Adjustable Performance Plan share awards** | | |
| **Balance at beginning of period** | **29.7** | – |
| Granted | 1.1 [1] | 29.9 |
| Settled | (16.5) | 0.0 |
| Forfeited | (0.3) | (0.2) |
| **Balance at end of period** | **14.0** | **29.7** |
| of which vested | 1.2 | 0.3 |
| of which unvested | 12.8 | 29.4 |

[1] Represents additional units earned in the first quarter of 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## Scaled Incentive Share Unit

### Scaled Incentive Share Unit activities

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **SISU awards (million)** | | | |
| **Balance at beginning of period** | **9.4** | **14.4** | **20.0** |
| Settled | (4.7) | (4.8) | (5.0) |
| Forfeited | (0.1) | (0.2) | (0.6) |
| **Balance at end of period** | **4.6** | **9.4** | **14.4** |
| of which vested | 1.2 | 1.7 | 1.0 |
| of which unvested | 3.4 | 7.7 | 13.4 |

## Incentive Share Unit

### Incentive Share Unit activities

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **ISU awards (million)** | | | |
| **Balance at beginning of period** | **3.6** | **13.2** | **37.2** |
| Settled | (1.8) | (8.7) | (23.0) |
| Forfeited | (0.6) | (0.9) | (1.0) |
| **Balance at end of period** | **1.2** | **3.6** | **13.2** |
| of which vested | 0.1 | 0.4 | 1.4 |
| of which unvested | 1.1 | 3.2 | 11.8 |

## Share options

There were no options granted during 2013, 2012 and 2011. As of December 31, 2013, 2012 and 2011, there was no aggregate intrinsic value of options outstanding or exercisable. As of December 31, 2013 and 2012, there was no total intrinsic value of options exercised and the weighted-average remaining contractual term as of December 31, 2013 was 0.7 years. As of the exercise date, the total intrinsic value of options exercised during 2011 was CHF 1 million. There was no cash received from option exercises in 2013 and 2012. Cash received from option exercises during 2011 was CHF 2 million.

### Share option activities

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF |
| **Share options** | | | | | | |
| **Balance at beginning of period** | **5.2** | **32.61** | **16.5** | **50.99** | **28.3** | **63.94** |
| Exercised | 0.0 | 0.00 | 0.0 | 0.00 | (0.1) | 31.74 |
| Forfeited | (0.1) | 70.90 | 0.0 | 0.00 | 0.0 | 0.00 |
| Expired | (4.7) | 30.59 | (11.3) | 59.40 | (11.7) | 82.41 |
| **Balance at end of period** | **0.4** | **50.77** | **5.2** | **32.61** | **16.5** | **50.99** |
| of which exercisable at end of period | 0.4 | 50.77 | 5.2 | 32.61 | 16.5 | 50.99 |

## 28 Related parties

The Group owns all of the Bank's outstanding voting registered shares. The Bank is involved in significant financing and other transactions with subsidiaries and affiliates of the Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

▸ Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Related party assets and liabilities

| end of | 2013 | 2012 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 0 | 386 |
| Interest-bearing deposits with banks | 1,870 | 1,775 |
| Trading assets | 159 | 213 |
| Net loans | 6,770 | 7,894 |
| Other assets | 29 | 58 |
| **Total assets** | **8,828** | **10,326** |
| **Liabilities (CHF million)** | | |
| Due to banks/customer deposits | 2,503 | 1,915 |
| Trading liabilities | 14 | 209 |
| Long-term debt | 4,300 | 4,907 |
| Other liabilities | 200 | 206 |
| **Total liabilities** | **7,017** | **7,237** |

### Related party revenues and expenses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Revenues (CHF million)** | | | |
| Interest and dividend income | 49 | 54 | 61 |
| Interest expense | (81) | (117) | (195) |
| **Net interest income** | **(32)** | **(63)** | **(134)** |
| Commissions and fees | (20) | 6 | (50) |
| Other revenues | 172 | 174 | 201 |
| **Net revenues** | **120** | **117** | **17** |
| **Expenses (CHF million)** | | | |
| **Total operating expenses** | **288** | **270** | **309** |

### Related party guarantees

| end of | 2013 | 2012 |
|---|---|---|
| **Guarantees (CHF million)** | | |
| Credit guarantees and similar instruments | 0 | 1 |
| Performance guarantees and similar instruments | 1 | 0 |
| **Total guarantees** | **1** | **1** |

### Executive Board and Board of Directors loans

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Loans to members of the Executive Board (CHF million)** | | | |
| **Balance at beginning of period** | **8** [1] | **22** | **18** |
| Additions | 4 | 3 | 5 |
| Reductions | (2) | (17) | (1) |
| **Balance at end of period** | **10** [1] | **8** | **22** |
| **Loans to members of the Board of Directors (CHF million)** | | | |
| **Balance at beginning of period** | **41** [2] | **33** | **34** |
| Additions | 16 | 13 | 2 |
| Reductions | (2) | (5) | (3) |
| **Balance at end of period** | **55** [2] | **41** | **33** |

[1] The number of individuals with outstanding loans at the beginning and end of the year was three and four, respectively.
[2] The number of individuals with outstanding loans at the beginning and end of the year was five.

### Liabilities due to own pension funds

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2013 and 2012 of CHF 2,852 million and CHF 2,804 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

## 29 Pension and other post-retirement benefits

The Bank participates in a defined benefit pension plan sponsored by the Group and has defined contribution pension plans, single-employer defined benefit pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

### DEFINED CONTRIBUTION PENSION PLANS

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2013, 2012 and 2011, the Bank contributed to these plans and recognized as expense CHF 178 million, CHF 219 million and CHF 244 million, respectively.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined contribution pension plans.

### DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

#### Defined benefit pension plans

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined benefit pension plans.

#### Group pension plan

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan), the Group's most significant defined benefit pension plan. The plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the plan, which is set up as an independent trust domiciled in Zurich. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. In accordance with US GAAP, the Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic benefit costs, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the savings section of the plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2013, 2012 and 2011, the Bank contributed and recognized as expense CHF 390 million, CHF 458 million and CHF 645 million to the Group plan, respectively. The Bank expects to contribute CHF 390 million to the Group plan during 2014. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2013, 2012 and 2011 would have been lower by CHF 131 million, CHF 197 million and CHF 476 million, respectively, and the Bank would have recognized CHF 158 million, CHF 88 million and CHF 96 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2013 and 2012, the ABO of the Group plan was CHF 13.0 billion and CHF 13.8 billion, the PBO was CHF 13.5 billion and CHF 14.3 billion and the fair value of plan assets was CHF 14.9 billion and CHF 14.3 billion, respectively. As of December 31, 2013 and 2012, the Group plan was overfunded on an ABO basis by CHF 1,869 million and CHF 519 million, respectively. On a PBO basis, the Group plan was overfunded by CHF 1,439 million and CHF 44 million as of December 31, 2013 and 2012, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the funded status of the Group plan on a PBO basis of CHF 1,367 million and CHF 42 million as an asset as of December 31, 2013 and 2012, respectively, in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

#### International pension plans

Various defined benefit pension plans cover the Bank's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Bank's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

### Other post-retirement defined benefit plans

In the US, the Bank's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Total benefit costs (CHF million)** | | | | | | |
| Service costs on benefit obligation | 24 | 30 | 33 | 0 | 1 | 0 |
| Interest costs on benefit obligation | 122 | 127 | 123 | 8 | 8 | 7 |
| Expected return on plan assets | (161) | (164) | (160) | 0 | 0 | 0 |
| Amortization of recognized prior service cost/(credit) | 0 | (1) | 0 | 0 | (2) | (2) |
| Amortization of recognized actuarial losses/(gains) | 79 | 74 | 51 | 13 | 13 | 9 |
| **Total benefit costs** | **64** | **66** | **47** | **21** | **20** | **14** |

Total benefit costs reflected in compensation and benefits – other for 2013, 2012 and 2011 were CHF 85 million, CHF 86 million and CHF 61 million, respectively.

#### Benefit obligation

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

## Obligations and funded status of the plans

| | International single-employer defined benefit pension plans | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|
| in / end of | **2013** | 2012 | **2013** | 2012 |
| **PBO (CHF million)** [1] | | | | |
| **Beginning of the measurement period** | **2,773** | **2,675** | **180** | **174** |
| Service cost | 24 | 30 | 0 | 1 |
| Interest cost | 122 | 127 | 8 | 8 |
| Plan amendments | 0 | 0 | 0 | 0 |
| Settlements | (4) | 0 | 0 | 0 |
| Curtailments | (2) | (12) | 0 | 0 |
| Special termination benefits | 1 | 1 | 0 | 0 |
| Actuarial losses/(gains) | 69 | 70 | (8) | 10 |
| Plans removed | 0 | (6) | 0 | 0 |
| Benefit payments | (97) | (103) | (8) | (8) |
| Exchange rate losses/(gains) | (43) | (9) | (4) | (5) |
| **End of the measurement period** | **2,843** | **2,773** | **168** | **180** |
| **Fair value of plan assets (CHF million)** | | | | |
| **Beginning of the measurement period** | **2,893** | **2,586** | **0** | **0** |
| Actual return on plan assets | 183 | 234 | 0 | 0 |
| Employer contributions | 67 | 158 | 8 | 8 |
| Settlements | (4) | 0 | 0 | 0 |
| Benefit payments | (97) | (103) | (8) | (8) |
| Exchange rate gains/(losses) | (35) | 18 | 0 | 0 |
| **End of the measurement period** | **3,007** | **2,893** | **0** | **0** |
| **Total funded status recognized (CHF million)** | | | | |
| Funded status of the plan – over/(underfunded) | 164 | 120 | (168) | (180) |
| **Funded status recognized in the consolidated balance sheet as of December 31** | **164** | **120** | **(168)** | **(180)** |
| **Total amount recognized (CHF million)** | | | | |
| Noncurrent assets | 520 | 695 | 0 | 0 |
| Current liabilities | (8) | (7) | (8) | (8) |
| Noncurrent liabilities | (348) | (568) | (160) | (172) |
| **Total amount recognized in the consolidated balance sheet as of December 31** | **164** | **120** | **(168)** | **(180)** |
| **ABO (CHF million)** [2] | | | | |
| **End of the measurement period** | **2,785** | **2,714** | **–** | **–** |

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

The total net amount recognized in the consolidated balance sheets as of December 31, 2013 and 2012 was an underfunding of CHF 4 million and CHF 60 million, respectively.

In 2013 and 2012, the Bank made contributions of CHF 67 million and CHF 158 million, respectively, to the international single-employer defined benefit pension plans. In 2014, the Bank expects to contribute CHF 110 million to the international single-employer defined benefit pension plans and CHF 8 million to other post-retirement defined benefit plans.

### PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2013 and 2012, respectively.

### Defined benefit pension plans in which PBO or ABO exceeded plan assets

| | PBO exceeds fair value of plan assets [1] | | ABO exceeds fair value of plan assets [1] | |
|---|---|---|---|---|
| December 31 | **2013** | 2012 | **2013** | 2012 |
| **CHF million** | | | | |
| PBO | 1,334 | 1,400 | 1,319 | 1,382 |
| ABO | 1,307 | 1,364 | 1,298 | 1,354 |
| Fair value of plan assets | 978 | 825 | 964 | 810 |

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

## Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

### Amounts recognized in AOCI, net of tax

| | International single-employer defined benefit pension plans | | Other post-retirement defined benefit plans | | | Total |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Amounts recognized in AOCI (CHF million)** | | | | | | |
| Actuarial gains/(losses) | (674) | (617) | (40) | (53) | (714) | (670) |
| Prior service credit/(cost) | 0 | 0 | 3 | 3 | 3 | 3 |
| **Total** | **(674)** | **(617)** | **(37)** | **(50)** | **(711)** | **(667)** |

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2013 and 2012, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2014.

### Amounts recognized in other comprehensive income

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | | |
|---|---|---|---|---|---|---|---|
| in | Gross | Tax | Net | Gross | Tax | Net | **Total net** |
| **2013 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (47) | (62) [1] | (109) | 8 | (3) | 5 | (104) |
| Amortization of actuarial losses/(gains) | 79 | (29) | 50 | 13 | (5) | 8 | 58 |
| Immediate recognition due to curtailment/settlement | 2 | 0 | 2 | 0 | 0 | 0 | 2 |
| **Total amounts recognized in other comprehensive income** | **34** | **(91)** | **(57)** | **21** | **(8)** | **13** | **(44)** |
| **2012 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | 0 | 0 | 0 | (10) | 4 | (6) | (6) |
| Amortization of actuarial losses/(gains) | 74 | (27) | 47 | 13 | (5) | 8 | 55 |
| Amortization of prior service cost/(credit) | (1) | 1 | 0 | (2) | 1 | (1) | (1) |
| Immediate recognition due to curtailment/settlement | 12 | (2) | 10 | 0 | 0 | 0 | 10 |
| **Total amounts recognized in other comprehensive income** | **85** | **(28)** | **57** | **1** | **0** | **1** | **58** |

[1] Includes the impact from the valuation allowance recognized on deferred tax assets on one of the Bank's entities in the UK, offsetting the tax benefit of CHF 37 million attributable to the UK pension plan.

### Amounts in AOCI, net of tax, expected to be amortized in 2014

| in 2014 | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **CHF million** | | |
| Amortization of actuarial losses/(gains) | 38 | 5 |
| **Total** | **38** | **5** |

## Assumptions

### Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| December 31 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Net periodic benefit cost (%)** | | | | | | |
| Discount rate | 4.5 | 4.8 | 5.5 | 4.3 | 4.7 | 5.5 |
| Salary increases | 4.0 | 4.0 | 4.2 | – | – | – |
| Expected long-term rate of return on plan assets | 6.2 | 6.4 | 7.3 | – | – | – |
| **Benefit obligation (%)** | | | | | | |
| Discount rate | 4.7 | 4.5 | 4.8 | 5.1 | 4.3 | 4.7 |
| Salary increases | 4.3 | 4.0 | 4.0 | – | – | – |

#### Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of health care cost trend rates assumed and the sensitivity of a one percentage point increase or decrease of the rate.

### Health care cost trend rates and sensitivity

| in / end of | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Health care cost trend rate (%)** | | | |
| Annual weighted-average health care cost trend rate [1] | 8.00 | 9.00 | 9.00 |
| **Increase/(decrease) in post-retirement expenses (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 1.3 | 1.4 | 1.3 |
| One percentage point decrease in health care cost trend rates | (1.0) | (1.1) | (1.1) |
| **Increase/(decrease) in post-retirement benefit obligation (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 23 | 27 | 23 |
| One percentage point decrease in health care cost trend rates | (19) | (22) | (19) |

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2021.

The annual health care cost trend rate used to determine the defined benefit cost for 2014 is 8.00%.

### Plan assets and investment strategy

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2013 and 2012, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

### Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, for the Bank's defined benefits plans.

## Plan assets measured at fair value on a recurring basis

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | **Total** |
| **Plan assets at fair value (CHF million)** | | | | | | | | |
| Cash and cash equivalents | 66 | 333 | 0 | 399 | 0 | 394 | 0 | 394 |
| Debt securities | 335 | 1,017 | 177 | 1,529 | 234 | 1,128 | 71 | 1,433 |
| of which governments | 335 | 30 | 0 | 365 | 234 | 8 | 0 | 242 |
| of which corporates | 0 | 987 | 177 | 1,164 | 0 | 1,120 [2] | 71 | 1,191 |
| Equity securities | 172 | 441 | 0 | 613 | 188 | 325 [2] | 0 | 513 |
| Real estate – indirect | 0 | 0 | 94 | 94 | 0 | 0 | 89 | 89 |
| Alternative investments | (23) | 290 | 7 | 274 | 0 | 335 | 34 | 369 |
| of which private equity | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| of which hedge funds | 0 | 264 | 3 | 267 | 0 | 94 [2] | 30 | 124 |
| of which other | (23) [1] | 26 [1] | 4 | 7 | 0 | 241 [1] | 0 | 241 |
| Other investments | 0 | 98 | 0 | 98 | 0 | 95 | 0 | 95 |
| **Total plan assets at fair value** | **550** | **2,179** | **278** | **3,007** | **422** | **2,277** | **194** | **2,893** |

[1] Primarily related to derivative instruments.
[2] Prior period has been corrected to reclassify certain plan assets from equity securities to corporate debt and hedge funds, respectively.

## Plan assets measured at fair value on a recurring basis for level 3

| | | | | Actual return on plan assets | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | On assets still held at reporting date | On assets sold during the period | Purchases, sales, settlements | Foreign currency translation impact | **Balance at end of period** |
| **2013 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 71 | 1 | (1) | 5 | 0 | 103 | (2) | 177 |
| Real estate – indirect | 89 | 0 | 0 | 7 | 0 | 0 | (2) | 94 |
| Alternative investments | 34 | 2 | 0 | (5) | 7 | (27) | (4) | 7 |
| of which private equity | 4 | 0 | 0 | (1) | 0 | (3) | 0 | 0 |
| of which hedge funds | 30 | 2 | 0 | (4) | 3 | (28) | 0 | 3 |
| of which other | 0 | 0 | 0 | 0 | 4 | 4 | (4) | 4 |
| **Total plan assets at fair value** | **194** | **3** | **(1)** | **7** | **7** | **76** | **(8)** | **278** |
| **2012 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 90 | 0 | (28) | 9 | 3 | (3) | 0 | 71 |
| Real estate – indirect | 84 | 0 | 0 | 6 | 0 | 1 | (2) | 89 |
| Alternative investments | 90 | 0 | 0 | 0 | 3 | (56) | (3) | 34 |
| of which private equity | 9 | 0 | 0 | (1) | 2 | (6) | 0 | 4 |
| of which hedge funds | 81 | 0 | 0 | 1 | 1 | (50) | (3) | 30 |
| **Total plan assets at fair value** | **264** | **0** | **(28)** | **15** | **6** | **(58)** | **(5)** | **194** |

## Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

### Weighted-average plan asset allocation

| December 31 | 2013 | 2012 |
|---|---|---|
| **Weighted-average plan asset allocation (%)** | | |
| Cash and cash equivalents | 13.3 | 13.6 |
| Debt securities | 50.7 | 49.5 [1] |
| Equity securities | 20.4 | 17.8 [1] |
| Real estate | 3.1 | 3.1 |
| Alternative investments | 9.2 | 12.7 [1] |
| Insurance | 3.3 | 3.3 |
| **Total** | **100.0** | **100.0** |

[1] Prior period has been corrected to reclassify certain plan assets from equity securities to debt securities and alternative investments, respectively.

The following table shows the target plan asset allocation for 2014 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2014.

### Weighted-average target plan asset allocation for 2014

| | |
|---|---|
| **2014 (%)** | |
| Cash and cash equivalents | 0 |
| Debt securities | 59 |
| Equity securities | 25 |
| Real estate | 3 |
| Alternative investments | 10 |
| Insurance | 3 |
| **Total** | **100** |

## Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

### Estimated future benefit payments for defined benefit plans

| | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **Estimated future benefit payments (CHF million)** | | |
| 2014 | 64 | 8 |
| 2015 | 73 | 9 |
| 2016 | 74 | 10 |
| 2017 | 80 | 10 |
| 2018 | 96 | 11 |
| For five years thereafter | 615 | 59 |

## 30 Derivatives and hedging activities

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Hedge accounting

#### Cash flow hedges

As of the end of 2013, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was three years.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| end of 2013 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,593.2 | 399.7 | 393.7 | 63.7 | 2.7 | 0.6 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,385.6** | **446.8** | **441.4** | **63.7** | **2.7** | **0.6** |
| Forwards | 2,098.6 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.2 | 28.8 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.7** | **61.2** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 8.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.7 | 12.4 | 12.1 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.6** | **35.5** | **37.4** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [2]** | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.5 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.1 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products [3]** | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,332.0** | **575.7** | **584.0** | **103.6** | **3.0** | **0.7** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.6 billion, CHF 578.7 billion and CHF 584.7 billion, respectively, as of December 31, 2013.
[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| | Trading | | | Hedging[1] | | |
|---|---|---|---|---|---|---|
| end of 2012 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 8,055.9 | 2.6 | 2.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 29,159.0 | 635.8 | 630.1 | 58.0 | 3.8 | 1.3 |
| Options bought and sold (OTC) | 3,739.9 | 62.4 | 62.6 | 0.0 | 0.0 | 0.0 |
| Futures | 1,145.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 952.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **43,052.2** | **701.1** | **695.4** | **58.0** | **3.8** | **1.3** |
| Forwards | 2,134.1 | 21.6 | 21.3 | 19.6 | 0.2 | 0.1 |
| Swaps | 1,336.4 | 32.1 | 46.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 985.3 | 9.7 | 10.7 | 0.0 | 0.0 | 0.0 |
| Futures | 83.8[2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,543.2** | **63.4** | **78.6** | **19.6** | **0.2** | **0.1** |
| Forwards | 5.5 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 211.1 | 4.5 | 5.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 215.1 | 11.5 | 11.1 | 0.0 | 0.0 | 0.0 |
| Futures | 74.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 338.2 | 13.7 | 14.1 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **844.3** | **30.3** | **31.1** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives[3]** | **1,694.5** | **30.6** | **29.8** | **0.0** | **0.0** | **0.0** |
| Forwards | 31.3 | 1.1 | 1.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 55.3 | 3.6 | 3.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 54.2 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Futures | 35.5[2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 50.4 | 1.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| **Other products[4]** | **226.7** | **7.9** | **7.8** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,360.9** | **833.3** | **842.7** | **77.6** | **4.0** | **1.4** |

The notional amount, PRV and NRV (trading and hedging) was CHF 50,438.5 billion, CHF 837.3 billion and CHF 844.1 billion, respectively, as of December 31, 2012.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.
2 Prior period amounts have been corrected to reclassify the notional amounts from other products to foreign exchange products.
3 Primarily credit default swaps.
4 Primarily precious metals, commodity, energy and emission products.

## Fair value hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | 378 | 849 | 634 |
| Foreign exchange products | (9) | (13) | 20 |
| **Total** | **369** | **836** | **654** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | (375) | (894) | (672) |
| Foreign exchange products | 9 | 13 | (20) |
| **Total** | **(366)** | **(881)** | **(692)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | 3 | (45) | (38) |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 7 | 8 | 0 |
| Foreign exchange products | 0 | 0 | (5) |
| **Total** | **7** | **8** | **(5)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products [1] | 3 | 0 | 0 |
| Foreign exchange products [2] | 0 | 0 | 31 |
| **Total** | **3** | **0** | **31** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains on the ineffective portion [1] | 1 | 0 | 0 |

[1] Included in trading revenues.
[2] Included in commissions and fees.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 6 million.

## Net investment hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 504 | (81) | 280 |
| **Total** | **504** | **(81)** | **280** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Foreign exchange products [1] | 2 | 75 | 4 |
| **Total** | **2** | **75** | **4** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

## Contingent credit risk

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.7 | 1.1 | 0.1 | **12.9** | 15.3 | 1.4 | 0.6 | **17.3** |
| Collateral posted | 10.6 | 1.2 | – | **11.8** | 13.4 | 1.4 | – | **14.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.8 | 0.0 | **1.4** | 0.2 | 0.5 | 0.0 | **0.7** |
| Additional collateral required in a two-notch downgrade event | 2.3 | 1.1 | 0.0 | **3.4** | 2.7 [1] | 1.5 | 0.5 | **4.7** |

[1] Additional collateral required in a two-notch downgrade event has been corrected.

## Credit derivatives

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.4 billion and CHF 6.0 billion as of December 31, 2013 and 2012, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

### Credit protection sold/purchased

| | | | | | 2013 | | | | | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 | (394.6) | 373.9 | (20.7) | 56.0 | 2.5 |
| Non-investment grade | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 | (135.4) | 129.3 | (6.1) | 11.3 | (0.4) |
| **Total single-name instruments** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** | **(530.0)** [3] | **503.2** [3] | **(26.8)** | **67.3** [3] | **2.1** [3] |
| of which sovereign | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) | (119.4) | 117.1 | (2.3) | 10.3 | (0.7) |
| of which non-sovereign | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 | (410.6) | 386.1 | (24.5) | 57.0 | 2.8 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 | (222.2) | 207.1 | (15.1) | 20.6 | (0.7) |
| Non-investment grade | (65.0) | 59.0 [4] | (6.0) | 13.5 | 1.5 | (62.8) | 56.1 [4] | (6.7) | 9.8 | (1.6) |
| **Total multi-name instruments** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** | **(285.0)** [3] | **263.2** [3] | **(21.8)** | **30.4** [3] | **(2.3)** [3] |
| of which sovereign | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 | (13.5) | 13.1 | (0.4) | 0.4 | (0.1) |
| of which non-sovereign | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 | (271.5) | 250.1 | (21.4) | 30.0 | (2.2) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 | (616.8) | 581.0 | (35.8) | 76.6 | 1.8 |
| Non-investment grade | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 | (198.2) | 185.4 | (12.8) | 21.1 | (2.0) |
| **Total instruments** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** | **(815.0)** | **766.4** | **(48.6)** | **97.7** | **(0.2)** |
| of which sovereign | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) | (132.9) | 130.2 | (2.7) | 10.7 | (0.8) |
| of which non-sovereign | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 | (682.1) | 636.2 | (45.9) | 87.0 | 0.6 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Credit protection instruments have been corrected to reclassify certain single-name instruments to multi-name instruments.
4 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | 2013 | 2012 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 698.7 | 815.0 |
| Credit protection purchased | 663.9 | 766.4 |
| Other protection purchased | 109.0 | 97.7 |
| Other instruments [1] | 11.7 | 15.4 |
| **Total credit derivatives** | **1,483.3** | **1,694.5** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **2013 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |
| **2012 (CHF billion)** | | | | |
| Single-name instruments | 125.0 | 326.0 | 79.0 | 530.0 |
| Multi-name instruments | 42.7 | 171.0 | 71.3 | 285.0 |
| **Total instruments** | **167.7** | **497.0** | **150.3** | **815.0** |

## 31 Guarantees and commitments

### Guarantees

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,820 | 1,125 | 396 | 569 | 4,910 | 4,762 | 34 | 2,330 |
| Performance guarantees and similar instruments | 4,337 | 1,733 | 981 | 136 | 7,187 | 6,265 | 83 | 3,277 |
| Securities lending indemnifications | 11,479 | 0 | 0 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 9,544 | 1,960 | 1,899 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 3,894 | 811 | 193 | 193 | 5,091 | 5,068 | 3 | 2,606 |
| **Total guarantees** | **40,777** | **13,213** | **3,530** | **2,797** | **60,317** | **59,224** | **835** | **19,692** |
| **2012 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments [4] | 10,101 | 1,541 | 334 | 606 | 12,582 | 12,195 | 53 | 1,918 |
| Performance guarantees and similar instruments | 5,047 | 1,599 | 951 | 1,750 | 9,347 | 8,608 | 135 | 3,307 |
| Securities lending indemnifications | 12,211 | 0 | 0 | 0 | 12,211 | 12,211 | 0 | 12,211 |
| Derivatives [2] | 21,197 | 9,951 | 1,833 | 2,434 | 35,415 | 35,415 | 985 | – [3] |
| Other guarantees | 4,172 | 684 | 281 | 144 | 5,281 | 5,260 | 3 | 2,789 |
| **Total guarantees** | **52,728** | **13,775** | **3,399** | **4,934** | **74,836** | **73,689** | **1,176** | **20,225** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.
[4] Prior period has been corrected.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### PAF2 transaction

The Bank's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Bank. In the first quarter of 2012, the Bank entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covered approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Bank, and was addressed in three layers: (i) first loss (USD 0.5 billion), (ii) mezzanine (USD 0.8 billion) and (iii) senior (USD 11 billion). The first loss element was retained by the Bank and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic CDO trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Bank's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Bank for counterparty risk management. As of December 31, 2013, the carrying value of the PAF2 awards was CHF 649 million. The amount of the PAF2 awards compensation expense for 2013 was CHF 83 million and is included in the amount reflected in the "Deferred compensation expense" table in Note 27 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Bank had purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a credit default swap (CDS), accounted for at fair value, with a third-party entity. The value of the senior layer was calculated using the same model as for the PAF2 awards. The Bank also had a credit support facility with this entity that allowed the Bank to provide credit support in connection with other assets that are commonly financed through the issuance of commercial paper (CP) and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances included: (i) a disruption of the CP market such that the entity could not issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeded certain thresholds and the Bank instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider was downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount could be settled by the assignment of the rights and obligations of the CDS to the Bank. The credit support facility was accounted for on an accrual basis.

In December 2012, the Basel Committee on Banking Supervision (BCBS) published updated regulatory guidance that made the PAF2 transaction as it was structured ineligible for counterparty credit spread hedging under the Basel III framework. As a result of this new guidance, the Bank had the right to exercise a regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. In October 2013, the Bank exercised the call to terminate the CDS and the credit support facility at par.

As of December 31, 2013, the mezzanine layer in the form of PAF2 awards remained in place. In February 2014, the Bank terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of either Contingent Capital Awards or for an interest in a fund at the discretion of the award holders.

▸ Refer to "Note 27 – Employee deferred compensation" for further information.

### Representations and warranties on residential mortgage loans sold

In connection with Investment Banking's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

With respect to its outstanding repurchase claims, the Bank is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2013 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 2013 and 2012, including realized losses from the repurchase of residential mortgage loans sold.

### Residential mortgage loans sold

| January 1, 2004 to December 31, 2013 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 23.5 |
| Non-agency securitizations | 133.8 [2] |
| **Total** | **165.5** |

[1] Primarily banks.

[2] The outstanding balance of residential mortgage loans sold was USD 26.2 billion as of December 31, 2013. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2013 was attributable to borrower payments of USD 88.9 billion and losses of USD 18.7 billion due to loan defaults.

## Residential mortgage loans sold – outstanding repurchase claims

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securiti-zations | Total | Government-sponsored enterprises | Private investors | Non-agency securiti-zations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **67** | **464** | **1,395** | **1,926** | **68** | **432** | **243** | **743** |
| New claims | 69 | 139 | 1,039 | 1,247 | 58 | 57 | 2,032 | 2,147 |
| Claims settled through repurchases | (4) | (1) | (2) | (7) [1] | (7) | 0 | (7) | (14) [1] |
| Other settlements | (31) | (178) | (7) | (216) [2] | (15) | (7) | (32) | (54) [2] |
| Total claims settled | (35) | (179) | (9) | (223) | (22) | (7) | (39) | (68) |
| Claims rescinded | (24) | (4) | 0 | (28) | (37) | (18) | 0 | (55) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (2,342) [4] | (2,342) | 0 | 0 | (841) | (841) |
| **Balance at end of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |

[1] Settled at a repurchase price of USD 6 million and USD 15 million in 2013 and 2012, respectively.
[2] Settled at USD 48 million and USD 41 million in 2013 and 2012, respectively.
[3] Refer to "Note 36 – Litigation" for repurchase claims that are in arbitration or litigation.
[4] Transfers to arbitration and litigation disclosed in 2013 include portfolios of claims of approximately USD 0.3 billion for which formal legal proceedings had commenced in prior periods.

## Provisions for outstanding repurchase claims

| | 2013 | 2012 |
|---|---|---|
| **Provisions for outstanding repurchase claims (USD million) [1]** | | |
| **Balance at beginning of period** | **55** | **59** |
| Increase/(decrease) in provisions, net | 145 | 52 |
| Realized losses [2] | (54) [3] | (56) [4] |
| **Balance at end of period** | **146** [3] | **55** [5] |

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 36 – Litigation" for further information.
[2] Includes indemnifications paid to resolve loan repurchase claims.
[3] Primarily related to government-sponsored enterprises and private investors.
[4] Primarily related to government-sponsored enterprises and non-agency securitizations.
[5] Primarily related to government-sponsored enterprises.

## Lease commitments

| | |
|---|---|
| **Lease commitments (CHF million)** | |
| 2014 | 579 |
| 2015 | 526 |
| 2016 | 473 |
| 2017 | 412 |
| 2018 | 365 |
| Thereafter | 3,062 |
| **Future operating lease commitments** | **5,417** |
| Less minimum non-cancellable sublease rentals | 171 |
| **Total net future minimum lease commitments** | **5,246** |

## Rental expense for operating leases

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Rental expense for operating leases (CHF million)** | | | |
| Minimum rental expense | 642 | 629 | 549 |
| Sublease rental income | (85) | (97) | (96) |
| **Total net expenses for operating leases** | **557** | **532** | **453** |

## Operating lease commitments

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Sale-leaseback transactions

In the first quarter of 2012, the Bank sold the office complex of its European headquarters at One Cabot Square in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Bank sold the Uetlihof office complex in Zurich, the Bank's principal office building worldwide, to Norges Bank, a minority shareholder of the Group, and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank, through its Investment Management unit, was acting as the buyer on behalf of the Norwegian Government Pension Fund Global.

During 2013 and 2012, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 78 million for the 2013 sale-leaseback transactions and CHF 41 million for the 2012 sale-leaseback transactions.

## Other commitments

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 5,478 | 27 | 1 | 0 | 5,506 | 5,446 | 3,380 |
| Irrevocable loan commitments | 27,154 | 26,852 | 35,326 | 7,483 | 96,815 [2] | 92,557 | 47,995 |
| Forward reverse repurchase agreements | 26,893 | 0 | 0 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 2,436 | 1,020 | 103 | 286 | 3,845 | 3,845 | 351 |
| **Total other commitments** | **61,961** | **27,899** | **35,430** | **7,769** | **133,059** | **128,741** | **78,619** |
| **2012 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 6,210 | 35 | 6 | 0 | 6,251 | 6,054 | 3,219 |
| Irrevocable loan commitments | 32,632 | 23,610 | 37,790 | 6,022 | 100,054 [2] | 94,582 | 32,759 |
| Forward reverse repurchase agreements | 45,556 | 0 | 0 | 0 | 45,556 | 45,556 | 45,556 |
| Other commitments | 906 | 863 | 171 | 575 | 2,515 | 2,515 | 131 |
| **Total other commitments** | **85,304** | **24,508** | **37,967** | **6,597** | **154,376** | **148,707** | **81,665** |

1 Total net amount is computed as the gross amount less any participations.
2 Irrevocable loan commitments do not include a total gross amount of CHF 87,161 million and CHF 75,832 million of unused credit limits as of December 31, 2013 and 2012, respectively, which were revocable at the Bank's sole discretion upon notice to the client. The prior period has been adjusted to the current presentation.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 32 Transfers of financial assets and variable interest entities

### Transfers of financial assets

#### Securitizations

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2013, 2012 and 2011 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains and cash flows (CHF million)** | | | |
| **CMBS** | | | |
| Net gain [1] | 4 | 56 | 6 |
| Proceeds from transfer of assets | 5,574 | 6,156 | 974 |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 70 | 57 | 205 |
| **RMBS** | | | |
| Net gain/(loss) [1] | (8) | 3 | 65 |
| Proceeds from transfer of assets | 24,523 | 15,143 | 30,695 |
| Purchases of previously transferred financial assets or its underlying collateral | (10) | (25) | (4) |
| Servicing fees | 4 | 3 | 3 |
| Cash received on interests that continue to be held | 486 | 554 | 382 |
| **Other asset-backed financings** | | | |
| Net gain [1] | 15 | 83 | 24 |
| Proceeds from transfer of assets | 915 | 591 | 1,268 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | (213) | (621) | (256) |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 633 | 1,350 | 701 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

#### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2013 and 2012, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 2013 | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 37,308 | 30,050 |
| Total assets of SPE | 48,715 | 45,407 |
| **RMBS** | | |
| Principal amount outstanding | 45,571 | 58,112 |
| Total assets of SPE | 48,741 | 60,469 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 27,854 | 32,805 |
| Total assets of SPE | 27,854 | 32,805 |

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

#### Fair value of beneficial interests

The ▷ fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 33 – Financial instruments" for further information on fair value hierarchy.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | 2013 | | 2012 | |
|---|---|---|---|---|
| at time of transfer | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 633 | 2,993 | 761 | 2,219 |
| of which level 2 | 476 | 2,879 | 654 | 2,090 |
| of which level 3 | 156 | 114 | 107 | 129 |
| Weighted-average life, in years | 7.3 | 7.7 | 8.4 | 5.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 2.0–31.0 | – [2] | 0.1–34.9 |
| Cash flow discount rate (rate per annum), in % [3] | 1.6–11.6 | 0.0–45.9 | 0.8–10.7 | 0.1–25.7 |
| Expected credit losses (rate per annum), in % | 0.0–7.5 | 0.0–45.8 | 0.5–9.0 | 0.0–25.1 |

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Sensitivity analysis

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2013 and 2012.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,132 | 2,354 | 284 | 274 | 1,929 | 692 |
| of which non-investment grade | 26 | 359 | 204 | 90 | 342 | 686 |
| Weighted-average life, in years | 6.5 | 8.6 | 3.7 | 4.0 | 5.2 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–23.5 | – | – | 0.1–27.6 | – |
| Impact on fair value from 10% adverse change | – | (26.6) | – | – | (38.5) | – |
| Impact on fair value from 20% adverse change | – | (48.6) | – | – | (74.3) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 | 1.1–50.2 | 0.2–42.8 | 0.7–51.7 |
| Impact on fair value from 10% adverse change | (25.5) | (65.0) | (2.4) | (14.8) | (62.8) | (1.0) |
| Impact on fair value from 20% adverse change | (50.0) | (124.9) | (4.9) | (19.9) | (93.5) | (1.8) |
| Expected credit losses (rate per annum), in % | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 | 0.9–49.5 | 0.9–42.8 | 0.3–51.4 |
| Impact on fair value from 10% adverse change | (10.9) | (42.2) | (0.4) | (14.4) | (55.9) | (0.8) |
| Impact on fair value from 20% adverse change | (21.5) | (79.6) | (0.7) | (19.2) | (80.3) | (1.6) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
[2] CDOs within this category are generally structured to be protected from prepayment risk.
[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
[4] The rate was based on the weighted-average yield on the beneficial interests.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2013 and 2012.

### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | 2013 | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 432 | 467 |
| Liability to SPE, included in Other liabilities | (432) | (467) |
| **Other asset-backed financings** | | |
| Trading assets | 216 | 1,171 |
| Other assets | 157 | 913 |
| Liability to SPE, included in Other liabilities | (373) | (2,084) |

## Variable interest entities

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Consolidated VIEs

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

### Consolidated VIEs in which the Bank was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 415 | 66 | 481 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 307 | 1,680 | 14,329 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,744** | **3,164** | **27,621** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 152 | 439 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **253** | **1,228** | **18,346** |
| **2012 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,534 | 27 | 0 | 125 | 44 | 20 | 1,750 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 117 | 0 | 0 | 0 | 0 | 117 |
| Trading assets | 1,064 | 196 | 14 | 1,861 | 565 | 997 | 4,697 |
| Investment securities | 0 | 23 | 0 | 0 | 0 | 0 | 23 |
| Other investments | 0 | 0 | 0 | 0 | 1,712 | 577 | 2,289 |
| Net loans | 0 | 4,360 | 859 | 0 | 405 | 429 | 6,053 |
| Premises and equipment | 0 | 0 | 0 | 0 | 474 | 72 | 546 |
| Other assets | 7,369 | 1,637 | 3,111 | 4 | 571 | 1,816 | 14,508 |
| of which loans held-for-sale | 7,324 | 0 | 3,110 | 0 | 71 | 0 | 10,505 |
| **Total assets of consolidated VIEs** | **9,967** | **6,360** | **3,984** | **1,990** | **3,771** | **3,911** | **29,983** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 247 | 247 |
| Trading liabilities | 20 | 0 | 0 | 0 | 4 | 101 | 125 |
| Short-term borrowings | 0 | 5,776 | 0 | 3 | 0 | 0 | 5,779 |
| Long-term debt | 9,944 | 14 | 3,608 | 500 | 38 | 428 | 14,532 |
| Other liabilities | 45 | 6 | 97 | 7 | 167 | 842 | 1,164 |
| **Total liabilities of consolidated VIEs** | **10,009** | **5,796** | **3,705** | **510** | **209** | **1,618** | **21,847** |

### Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

**Non-consolidated VIEs**

| | | | Financial intermediation | | | |
|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,712 | 2,856 | 1,282 | 7,465 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,738** | **3,581** | **2,001** | **15,038** |
| **Maximum exposure to loss** | **186** | **7,496** | **3,926** | **7,433** | **2,090** | **21,131** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **8,525** | **206,913** |
| **2012 (CHF million)** | | | | | | |
| Trading assets | 100 | 3,210 | 1,143 | 868 | 600 | 5,921 |
| Net loans | 8 | 111 | 2,048 | 3,572 | 1,668 | 7,407 |
| Other assets | 0 | 17 | 49 | 0 | 4 | 70 |
| **Total variable interest assets** | **108** | **3,338** | **3,240** | **4,440** | **2,272** | **13,398** |
| **Maximum exposure to loss** | **108** | **14,123** | **3,475** | **4,906** | **3,039** | **25,651** |
| **Non-consolidated VIE assets** | **5,163** | **103,990** | **52,268** | **22,304** | **6,486** | **190,211** |

## 33 Financial instruments

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## Assets and liabilities measured at fair value on a recurring basis

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,217 | 5,069 | 0 | 110,115 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,267 | 2,128 | 0 | 26,409 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,463 | 5,777 | 595 | 0 | 76,835 |
| Derivatives | 6,610 | 563,882 | 5,217 | (543,922) | 31,787 |
| of which interest rate products | 1,065 | 444,187 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,732 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,941 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,690 | 4,480 | 2,829 | 0 | 10,999 |
| Trading assets | 122,592 | 637,356 | 13,710 | (543,922) | 229,736 |
| Debt | 1,164 | 362 | 0 | 0 | 1,526 |
| of which foreign governments | 1,162 | 2 | 0 | 0 | 1,164 |
| of which corporates | 0 | 262 | 0 | 0 | 262 |
| of which CDO | 0 | 100 | 0 | 0 | 100 |
| Equity | 1 | 98 | 2 | 0 | 101 |
| Investment securities | 1,165 | 460 | 2 | 0 | 1,627 |
| Private equity | 0 | 0 | 3,339 | 0 | 3,339 |
| of which equity funds | 0 | 0 | 2,230 | 0 | 2,230 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,631 | 0 | 1,646 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,963 | 0 | 7,590 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,426 | 6,159 | (928) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **149,999** | **769,968** | **35,078** | **(544,850)** | **410,195** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **149,753** | **760,823** | **29,839** | **(544,850)** | **395,565** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

### Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,460 | 0 | 0 | 1,460 |
| Customer deposits | 0 | 3,186 | 55 | 0 | 3,241 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,312 | 2 | 0 | 24,351 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,132 | 2 | 0 | 4,135 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,717 | 5,545 | (547,482) | 36,659 |
| of which interest rate products | 896 | 439,502 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,588 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,800 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,338 | 5,564 | (547,482) | 76,812 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 52,073 | 9,780 | 0 | 61,853 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,680 | 6,217 | 0 | 26,897 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,386 | 2,859 | (274) | 21,971 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **738,023** | **18,537** | **(547,756)** | **270,294** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 569 | 0 | 0 | 569 |
| Interest-bearing deposits with banks | 0 | 627 | 0 | 0 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 113,664 | 0 | 0 | 113,664 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 55,592 | 74,392 | 5,830 | 0 | 135,814 |
| of which foreign governments | 53,918 | 11,032 | 79 | 0 | 65,029 |
| of which corporates | 1 | 25,933 | 3,192 | 0 | 29,126 |
| of which RMBS | 0 | 30,392 | 724 | 0 | 31,116 |
| of which CMBS | 0 | 4,335 | 1,023 | 0 | 5,358 |
| of which CDO | 0 | 2,620 | 447 | 0 | 3,067 |
| Equity | 66,715 | 7,745 | 485 | 0 | 74,945 |
| Derivatives | 3,428 | 823,181 | 6,650 | (799,843) | 33,416 |
| of which interest rate products | 703 | 698,494 | 1,859 | – | – |
| of which foreign exchange products | 1 | 62,619 | 754 | – | – |
| of which equity/index-related products | 2,538 | 25,885 | 1,920 | – | – |
| of which credit derivatives | 0 | 29,274 | 1,294 | – | – |
| Other | 7,205 | 2,736 | 2,486 | 0 | 12,427 |
| Trading assets | 132,940 | 908,054 | 15,451 | (799,843) | 256,602 |
| Debt | 1,334 | 341 | 169 | 0 | 1,844 |
| of which foreign governments | 1,333 | 1 | 21 | 0 | 1,355 |
| of which corporates | 0 | 340 | 125 | 0 | 465 |
| of which CDO | 0 | 0 | 24 | 0 | 24 |
| Equity | 4 | 90 | 1 | 0 | 95 |
| Investment securities | 1,338 | 431 | 170 | 0 | 1,939 |
| Private equity | 0 | 0 | 3,855 | 0 | 3,855 |
| of which equity funds | 0 | 0 | 2,530 | 0 | 2,530 |
| Hedge funds | 0 | 470 | 165 | 0 | 635 |
| of which debt funds | 0 | 349 | 84 | 0 | 433 |
| Other equity investments | 271 | 69 | 2,244 | 0 | 2,584 |
| of which private | 0 | 61 | 2,245 | 0 | 2,306 |
| Life finance instruments | 0 | 0 | 1,818 | 0 | 1,818 |
| Other investments | 271 | 539 | 8,082 | 0 | 8,892 |
| Loans | 0 | 13,381 | 6,619 | 0 | 20,000 |
| of which commercial and industrial loans | 0 | 6,191 | 4,778 | 0 | 10,969 |
| of which financial institutions | 0 | 5,934 | 1,530 | 0 | 7,464 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 43 | 0 | 43 |
| Other assets | 5,439 | 26,802 | 5,164 | (146) | 37,259 |
| of which loans held-for-sale | 0 | 14,899 | 4,463 | 0 | 19,362 |
| **Total assets at fair value** | **169,665** | **1,064,435** | **35,529** | **(799,989)** | **469,640** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (240) | (99) | (3,292) | 0 | (3,631) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,769) | (2,745) | 0 | (11,514) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **169,425** | **1,055,567** | **29,492** | **(799,989)** | **454,495** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 3,431 | 0 | 0 | 3,431 |
| Customer deposits | 0 | 4,601 | 25 | 0 | 4,626 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 108,784 | 0 | 0 | 108,784 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Obligation to return securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 25,782 | 7,015 | 196 | 0 | 32,993 |
| of which foreign governments | 25,624 | 1,476 | 0 | 0 | 27,100 |
| of which corporates | 0 | 5,030 | 196 | 0 | 5,226 |
| Equity | 18,109 | 389 | 6 | 0 | 18,504 |
| Derivatives | 3,174 | 834,413 | 5,154 | (803,147) | 39,594 |
| of which interest rate products | 628 | 693,525 | 1,357 | – | – |
| of which foreign exchange products | 1 | 76,988 | 1,648 | – | – |
| of which equity/index-related products | 2,305 | 27,749 | 1,003 | – | – |
| of which credit derivatives | 0 | 28,952 | 819 | – | – |
| Trading liabilities | 47,065 | 841,817 | 5,356 | (803,147) | 91,091 |
| Short-term borrowings | 0 | 4,389 | 124 | 0 | 4,513 |
| Long-term debt | 218 | 54,458 | 10,098 | 0 | 64,774 |
| of which treasury debt over two years | 0 | 10,567 | 0 | 0 | 10,567 |
| of which structured notes over two years | 0 | 22,545 | 6,189 | 0 | 28,734 |
| of which non-recourse liabilities | 218 | 11,006 | 2,551 | 0 | 13,775 |
| Other liabilities | 0 | 24,235 | 2,847 | (283) | 26,799 |
| of which failed sales | 0 | 2,523 | 1,160 | 0 | 3,683 |
| **Total liabilities at fair value** | **76,960** | **1,042,083** | **18,450** | **(803,430)** | **334,063** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Transfers between level 1 and level 2

| | **2013** | | 2012 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 499 | 92 | 318 | 23,632 |
| Equity | 437 | 183 | 209 | 650 |
| Derivatives | 5,090 | 2 | 5,510 | 20 |
| **Trading assets** | **6,026** | **277** | **6,037** | **24,302** |
| **Liabilities (CHF million)** | | | | |
| Debt | 11 | 18 | 87 | 34 |
| Equity | 248 | 17 | 100 | 226 |
| Derivatives | 4,433 | 11 | 6,441 | 72 |
| **Trading liabilities** | **4,692** | **46** | **6,628** | **332** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 2013 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 0 | 0 | 0 |
| Debt | 5,830 | 1,418 | (1,977) | 6,363 |
| of which corporates | 3,192 | 571 | (552) | 1,759 |
| of which RMBS | 724 | 467 | (690) | 1,012 |
| of which CMBS | 1,023 | 86 | (310) | 497 |
| of which CDO | 447 | 55 | (357) | 3,072 |
| Equity | 485 | 303 | (237) | 405 |
| Derivatives | 6,650 | 1,442 | (2,208) | 0 |
| of which interest rate products | 1,859 | 244 | (363) | 0 |
| of which equity/index-related products | 1,920 | 223 | (1,020) | 0 |
| of which credit derivatives | 1,294 | 923 | (633) | 0 |
| Other | 2,486 | 288 | (487) | 3,266 |
| Trading assets | 15,451 | 3,451 | (4,909) | 10,034 |
| Investment securities | 170 | 0 | (230) | 165 |
| Equity | 6,264 | 106 | (63) | 1,081 |
| Life finance instruments | 1,818 | 0 | 0 | 189 |
| Other investments | 8,082 | 106 | (63) | 1,270 |
| Loans | 6,619 | 320 | (1,561) | 800 |
| of which commercial and industrial loans | 4,778 | 305 | (315) | 727 |
| of which financial institutions | 1,530 | 15 | (6) | 71 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 12 |
| Other assets | 5,164 | 3,552 | (2,998) | 4,781 |
| of which loans held-for-sale [2] | 4,463 | 3,539 | (2,918) | 4,456 |
| **Total assets at fair value** | **35,529** | **7,429** | **(9,761)** | **17,062** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,503 | (1,537) | 66 |
| of which interest rate derivatives | 1,357 | 75 | (134) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (21) | 0 |
| of which equity/index-related derivatives | 1,003 | 360 | (676) | 0 |
| of which credit derivatives | 819 | 1,001 | (590) | 0 |
| Short-term borrowings | 124 | 43 | (99) | 0 |
| Long-term debt | 10,098 | 2,322 | (2,375) | 0 |
| of which structured notes over two years | 6,189 | 453 | (1,226) | 0 |
| of which non-recourse liabilities | 2,551 | 1,836 | (670) | 0 |
| Other liabilities | 2,847 | 227 | (149) | 213 |
| of which failed sales | 1,160 | 176 | (82) | 154 |
| **Total liabilities at fair value** | **18,450** | **4,095** | **(4,160)** | **279** |
| **Net assets/(liabilities) at fair value** | **17,079** | **3,334** | **(5,601)** | **16,783** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

[2] Includes unrealized gains recorded in trading revenues of CHF 238 million primarily related to subprime exposures in securitized business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 362 | (153) | 0 | 4 | 0 | 0 | (9) | 204 |
| (6,984) | 0 | 0 | 165 | 465 | 0 | 0 | (211) | 5,069 |
| (3,022) | 0 | 0 | 109 | 157 | 0 | 0 | (86) | 2,128 |
| (1,162) | 0 | 0 | 11 | 91 | 0 | 0 | (17) | 436 |
| (866) | 0 | 0 | (4) | 15 | 0 | 0 | (24) | 417 |
| (1,810) | 0 | 0 | 36 | 197 | 0 | 0 | (73) | 1,567 |
| (431) | 0 | 0 | 20 | 68 | (1) | 0 | (17) | 595 |
| 0 | 1,766 | (2,446) | 230 | (53) | 0 | 0 | (164) | 5,217 |
| 0 | 279 | (663) | 8 | 249 | 0 | 0 | (39) | 1,574 |
| 0 | 207 | (538) | 184 | 330 | 0 | 0 | (66) | 1,240 |
| 0 | 627 | (631) | 38 | (461) | 0 | 0 | (19) | 1,138 |
| (2,656) | 0 | (65) | 8 | 83 | 0 | 0 | (94) | 2,829 |
| (10,071) | 1,766 | (2,511) | 423 | 563 | (1) | 0 | (486) | 13,710 |
| (82) | 0 | 0 | 0 | 9 | 0 | 0 | (30) | 2 |
| (2,649) | 0 | 0 | 0 | (3) | 0 | 776 | (149) | 5,363 |
| (365) | 0 | 0 | 0 | 1 | 0 | 0 | (43) | 1,600 |
| (3,014) | 0 | 0 | 0 | (2) | 0 | 776 | (192) | 6,963 |
| (1,673) | 6,767 | (2,920) | 0 | (21) | 0 | 0 | (333) | 7,998 |
| (1,280) | 3,541 | (2,171) | 1 | (85) | 0 | 0 | (192) | 5,309 |
| (207) | 651 | (650) | 0 | (48) | 0 | 0 | (34) | 1,322 |
| 0 | 0 | 0 | 0 | 0 | 0 | (12) | (1) | 42 |
| (4,213) | 1,034 | (1,148) | 5 | 199 | 0 | 0 | (217) | 6,159 |
| (3,964) | 1,034 | (1,147) | 5 | 348 | 0 | 0 | (201) | 5,615 |
| **(19,053)** | **9,929** | **(6,732)** | **428** | **752** | **(1)** | **764** | **(1,268)** | **35,078** |
| | | | | | | | | |
| 0 | 51 | (3) | 0 | (13) | 0 | 0 | (5) | 55 |
| | | | | | | | | |
| 0 | 119 | 0 | 0 | 0 | 0 | 0 | (5) | 114 |
| (197) | 1,561 | (2,556) | 235 | 1,302 | 0 | 0 | (169) | 5,564 |
| 0 | 107 | (508) | 10 | 254 | 0 | 0 | (32) | 1,129 |
| 0 | 15 | (662) | (16) | (21) | 0 | 0 | (18) | 938 |
| 0 | 632 | (380) | 210 | 831 | 0 | 0 | (84) | 1,896 |
| 0 | 655 | (856) | 39 | 186 | 0 | 0 | (24) | 1,230 |
| 0 | 318 | (216) | 0 | 3 | 0 | 0 | (8) | 165 |
| 0 | 5,006 | (5,330) | 25 | 321 | 0 | (1) | (286) | 9,780 |
| 0 | 3,602 | (2,534) | (18) | (36) | 0 | (1) | (212) | 6,217 |
| 0 | 818 | (2,128) | 24 | 151 | 0 | 0 | (30) | 2,552 |
| (393) | 10 | (86) | (17) | 70 | 26 | 217 | (106) | 2,859 |
| (308) | 0 | 0 | 0 | 72 | 0 | 0 | (29) | 1,143 |
| **(590)** | **7,065** | **(8,191)** | **243** | **1,683** | **26** | **216** | **(579)** | **18,537** |
| **(18,463)** | **2,864** | **1,459** | **185** | **(931)** | **(27)** | **548** | **(689)** | **16,541** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 2012 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,204 | 0 | 0 | 0 |
| Securities received as collateral | 193 | 0 | (188) | 0 |
| Debt | 9,941 | 2,312 | (5,035) | 7,479 |
| of which corporates | 5,076 | 1,113 | (3,609) | 5,210 |
| of which RMBS | 1,786 | 831 | (958) | 937 |
| of which CMBS | 1,517 | 188 | (262) | 664 |
| of which CDO | 727 | 158 | (121) | 483 |
| Equity | 467 | 419 | (100) | 377 |
| Derivatives | 9,588 | 1,465 | (2,175) | 0 |
| of which interest rate products | 2,547 | 168 | (686) | 0 |
| of which equity/index-related products | 2,732 | 681 | (844) | 0 |
| of which credit derivatives | 2,172 | 592 | (544) | 0 |
| Other | 2,195 | 179 | (366) | 2,842 |
| Trading assets | 22,191 | 4,375 | (7,676) | 10,698 |
| Investment securities | 102 | 0 | 0 | 94 |
| Equity | 6,899 | 4 | (61) | 757 |
| Life finance instruments | 1,968 | 0 | 0 | 102 |
| Other investments | 8,867 | 4 | (61) | 859 |
| Loans | 6,842 | 605 | (642) | 509 |
| of which commercial and industrial loans | 4,559 | 537 | (391) | 275 |
| of which financial institutions | 2,179 | 64 | (248) | 218 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 11 |
| Other assets | 7,469 | 2,509 | (2,949) | 3,007 |
| of which loans held-for-sale | 6,901 | 2,471 | (2,948) | 2,801 |
| **Total assets at fair value** | **46,938** | **7,493** | **(11,516)** | **15,178** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 0 | 0 | 0 | 0 |
| Obligation to return securities received as collateral | 193 | 0 | (188) | 0 |
| Trading liabilities | 7,343 | 1,294 | (1,783) | 94 |
| of which interest rate derivatives | 1,588 | 230 | (754) | 0 |
| of which foreign exchange derivatives | 2,836 | 3 | (178) | 0 |
| of which equity/index-related derivatives | 1,022 | 132 | (262) | 0 |
| of which credit derivatives | 1,520 | 700 | (571) | 0 |
| Short-term borrowings | 236 | 23 | (96) | 0 |
| Long-term debt | 12,715 | 2,616 | (4,044) | 0 |
| of which structured notes over two years | 7,576 | 789 | (1,668) | 0 |
| of which non-recourse liabilities | 3,585 | 1,701 | (2,225) | 0 |
| Other liabilities | 3,890 | 246 | (315) | 321 |
| of which failed sales | 1,909 | 136 | (47) | 302 |
| **Total liabilities at fair value** | **24,377** | **4,179** | **(6,426)** | **415** |
| **Net assets/(liabilities) at fair value** | **22,561** | **3,314** | **(5,090)** | **14,763** |

[1] For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 0 | (1,174) | 0 | (28) | 0 | 0 | (2) | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (8,793) | 0 | 0 | 72 | 129 | (4) | 0 | (271) | 5,830 |
| (4,745) | 0 | 0 | 49 | 278 | (4) | 0 | (176) | 3,192 |
| (1,924) | 0 | 0 | 18 | 60 | 0 | 0 | (26) | 724 |
| (809) | 0 | 0 | (4) | (228) | 0 | 0 | (43) | 1,023 |
| (851) | 0 | 0 | (4) | 67 | 0 | 0 | (12) | 447 |
| (611) | 0 | 0 | 0 | (63) | 0 | 0 | (4) | 485 |
| 0 | 1,007 | (3,262) | 60 | 163 | 0 | 0 | (196) | 6,650 |
| 0 | 303 | (976) | 47 | 515 | 0 | 0 | (59) | 1,859 |
| 0 | 346 | (844) | (31) | (56) | 0 | 0 | (64) | 1,920 |
| 0 | 161 | (914) | 43 | (179) | 0 | 0 | (37) | 1,294 |
| (2,290) | 0 | 0 | 2 | (4) | 0 | 0 | (72) | 2,486 |
| (11,694) | 1,007 | (3,262) | 134 | 225 | (4) | 0 | (543) | 15,451 |
| (17) | 0 | 0 | 0 | 0 | 0 | 0 | (9) | 170 |
| (1,789) | 0 | 0 | 0 | 2 | 0 | 620 | (168) | 6,264 |
| (274) | 0 | 0 | 0 | 72 | 0 | 0 | (50) | 1,818 |
| (2,063) | 0 | 0 | 0 | 74 | 0 | 620 | (218) | 8,082 |
| (1,286) | 4,490 | (3,473) | 15 | (250) | 0 | 0 | (191) | 6,619 |
| (469) | 3,084 | (2,773) | 15 | 76 | 0 | 0 | (135) | 4,778 |
| (745) | 1,078 | (672) | (1) | (293) | 0 | 0 | (50) | 1,530 |
| (16) | 0 | 0 | 0 | 0 | 0 | (20) | (2) | 43 |
| (3,356) | 298 | (2,319) | 128 | 580 | 0 | 0 | (203) | 5,164 |
| (3,182) | 298 | (2,319) | 127 | 486 | 0 | 0 | (172) | 4,463 |
| **(18,432)** | **5,795** | **(10,228)** | **277** | **601** | **(4)** | **600** | **(1,173)** | **35,529** |
| | | | | | | | | |
| 0 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 25 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (346) | 853 | (2,599) | 151 | 505 | 0 | 0 | (156) | 5,356 |
| 0 | 115 | (194) | 75 | 340 | 0 | 0 | (43) | 1,357 |
| 0 | 1 | (1,037) | 24 | 48 | 0 | 0 | (49) | 1,648 |
| 0 | 537 | (315) | (16) | (61) | 0 | 0 | (34) | 1,003 |
| 0 | 88 | (939) | 79 | (36) | 0 | 0 | (22) | 819 |
| 0 | 288 | (332) | (3) | 14 | 0 | 0 | (6) | 124 |
| 0 | 4,015 | (6,043) | 182 | 989 | (4) | 0 | (328) | 10,098 |
| 0 | 1,925 | (2,867) | 32 | 604 | (4) | 0 | (198) | 6,189 |
| 0 | 1,473 | (2,312) | 144 | 275 | 0 | 0 | (90) | 2,551 |
| (1,322) | 2 | (219) | (15) | 74 | 0 | 278 | (93) | 2,847 |
| (1,260) | 0 | 0 | 0 | 153 | 0 | 0 | (33) | 1,160 |
| **(1,668)** | **5,183** | **(9,193)** | **315** | **1,582** | **(4)** | **278** | **(588)** | **18,450** |
| **(16,764)** | **612** | **(1,035)** | **(38)** | **(981)** | **0** | **322** | **(585)** | **17,079** |

## Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (746) | 521 | **(225)** [1] | (1,019) | 322 | **(697)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (2,850) | 245 | **(2,605)** | (1,209) | (23) | **(1,232)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

## Quantitative information about level 3 assets at fair value

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,339 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,631 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,963 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,078** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
| --- | --- | --- | --- | --- | --- |
| CHF million, except where indicated | | | | | |
| Debt | 5,830 | | | | |
| of which corporates | 3,192 | | | | |
| of which | 754 | Option model | Correlation, in % | (87) | 97 |
| | | | Buyback probability, in % [1] | 50 | 100 |
| of which | 797 | Market comparable | Price, in % | 0 | 146 |
| of which | 1,231 | Discounted cash flow | Credit spread, in bp | 0 | 2,439 |
| of which RMBS | 724 | Discounted cash flow | Discount rate, in % | 2 | 50 |
| | | | Prepayment rate, in % | 0 | 55 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which CMBS | 1,023 | Discounted cash flow | Capitalization rate, in % | 5 | 12 |
| | | | Internal rate of return, in % | 9 | 15 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 10 |
| | | | Default rate, in % | 0 | 40 |
| | | | Loss severity, in % | 0 | 90 |
| of which CDO | 447 | | | | |
| of which | 193 | Vendor price | Price, in % | 0 | 102 |
| of which | 123 | Discounted cash flow | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 40 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which | 78 | Market comparable | Price, in % | 80 | 93 |
| Equity | 485 | | | | |
| of which | 237 | Market comparable | EBITDA multiple | 3 | 12 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 |
| Derivatives | 6,650 | | | | |
| of which interest rate products | 1,859 | Option model | Correlation, in % | 17 | 100 |
| | | | Prepayment rate, in % | 2 | 45 |
| | | | Volatility, in % | (5) | 31 |
| | | | Credit spread, in bp | 34 | 157 |
| of which equity/index-related products | 1,920 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| of which credit derivatives | 1,294 | Discounted cash flow | Credit spread, in bp | 1 | 5,843 |
| | | | Recovery rate, in % | 0 | 75 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 30 | 97 |
| | | | Prepayment rate, in % | 0 | 40 |
| Other | 2,486 | | | | |
| of which | 1,891 | Market comparable | Price, in % | 0 | 103 |
| of which | 564 | Discounted cash flow | Life expectancy, in years | 4 | 20 |
| Trading assets | 15,451 | | | | |

[1] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Investment securities | 170 | – | – | – | – |
| Private equity | 3,855 | –[1] | –[1] | –[1] | –[1] |
| Hedge funds | 165 | –[1] | –[1] | –[1] | –[1] |
| Other equity investments | 2,244 | | | | |
| of which private | 2,245 | | | | |
| of which | 759 | Discounted cash flow | Credit spread, in bp | 1,070 | 2,049 |
| | | | Contingent probability, in % | 50 | 50 |
| of which | 903 | Market comparable | EBITDA multiple | 2 | 13 |
| Life finance instruments | 1,818 | Discounted cash flow | Life expectancy, in years | 1 | 23 |
| Other investments | 8,082 | | | | |
| Loans | 6,619 | | | | |
| of which commercial and industrial loans | 4,778 | Discounted cash flow | Credit spread, in bp | 0 | 2,763 |
| of which financial institutions | 1,530 | Discounted cash flow | Credit spread, in bp | 0 | 888 |
| Other intangible assets (mortgage servicing rights) | 43 | – | – | – | – |
| Other assets | 5,164 | | | | |
| of which loans held-for-sale | 4,463 | | | | |
| of which | 2,031 | Vendor price | Price, in % | 0 | 103 |
| of which | 328 | Discounted cash flow | Credit spread, in bp | 20 | 1,458 |
| of which | 2,009 | Market comparable | Price, in % | 0 | 115 |
| **Total level 3 assets at fair value** | **35,529** | | | | |

[1] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,859 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,537** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values between collateral settlement dates.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Customer deposits | 25 | – | – | – | – |
| Trading liabilities | 5,356 | | | | |
| of which interest rate derivatives | 1,357 | Option model | Basis spread, in bp | (28) | 54 |
| | | | Correlation, in % | 17 | 100 |
| | | | Mean reversion, in % [1] | (33) | 5 |
| | | | Prepayment rate, in % | 4 | 45 |
| of which foreign exchange derivatives | 1,648 | Option model | Correlation, in % | (10) | 70 |
| | | | Prepayment rate, in % | 4 | 22 |
| of which equity/index-related derivatives | 1,003 | Option model | Correlation, in % | (87) | 97 |
| | | | Skew, in % | 56 | 128 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 4 |
| of which credit derivatives | 819 | Discounted cash flow | Credit spread, in bp | 0 | 5,843 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Recovery rate, in % | 0 | 77 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 0 | 47 |
| | | | Prepayment rate, in % | 0 | 40 |
| Short-term borrowings | 124 | – | – | – | – |
| Long-term debt | 10,098 | | | | |
| of which structured notes over two years | 6,189 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 12 |
| of which non-recourse liabilities | 2,551 | | | | |
| of which | 2,255 | Vendor price | Price, in % | 0 | 103 |
| of which | 230 | Market comparable | Price, in % | 0 | 87 |
| Other liabilities | 2,847 | | | | |
| of which failed sales | 1,160 | | | | |
| of which | 646 | Market comparable | Price, in % | 0 | 100 |
| of which | 290 | Discounted cash flow | Credit spread, in bp | 0 | 1,532 |
| **Total level 3 liabilities at fair value** | **18,450** | | | | |

[1] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[2] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values between collateral settlement dates.

## Fair value, unfunded commitments and term of redemption conditions

| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commitments | Non-redeemable | Redeemable | Total fair value | Unfunded commitments |
|---|---|---|---|---|---|---|---|---|
| | | | | 2013 | | | | 2012 |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 1 | 18 | 19 | 0 | 127 | 38 | 165 | 0 |
| Equity funds | 28 | 3,096 [1] | 3,124 | 0 | 52 | 3,810 [2] | 3,862 | 0 |
| Equity funds sold short | 0 | (17) | (17) | 0 | 0 | (111) | (111) | 0 |
| Total funds held in trading assets and liabilities | 29 | 3,097 | 3,126 | 0 | 179 | 3,737 | 3,916 | 0 |
| Debt funds | 320 | 183 | 503 | 6 | 68 | 365 | 433 | 157 |
| Equity funds | 0 | 25 | 25 | 0 | 3 | 43 | 46 | 0 |
| Others | 0 | 153 | 153 | 31 | 4 | 152 | 156 | 46 |
| Hedge funds | 320 | 361 [3] | 681 | 37 | 75 | 560 [4] | 635 | 203 |
| Debt funds | 53 | 0 | 53 | 2 | 97 | 0 | 97 | 17 |
| Equity funds | 2,230 | 0 | 2,230 | 464 | 2,530 | 0 | 2,530 | 723 |
| Real estate funds | 350 | 0 | 350 | 110 | 382 | 0 | 382 | 131 |
| Others | 706 | 0 | 706 | 250 | 846 | 0 | 846 | 198 |
| Private equities | 3,339 | 0 | 3,339 | 826 | 3,855 | 0 | 3,855 | 1,069 |
| Equity method investments | 349 | 0 | 349 | 0 | 385 | 0 | 385 | 0 |
| Total funds held in other investments | 4,008 | 361 | 4,369 | 863 | 4,315 | 560 | 4,875 | 1,272 |
| **Total fair value** | **4,037** [5] | **3,458** [6] | **7,495** | **863** [7] | **4,494** [5] | **4,297** [6] | **8,791** | **1,272** [7] |

[1] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 1,819 million and CHF 1,958 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[6] Includes CHF 107 million and CHF 107 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[7] Includes CHF 405 million and CHF 418 million attributable to noncontrolling interests in 2013 and 2012, respectively.

## Nonrecurring fair value changes

| end of | 2013 | 2012 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.5** |
| of which level 3 | 0.3 | 0.5 |

**Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 956 | 3,262 | (2,306) | 920 | 3,810 | (2,890) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 311 | 307 | 4 | 627 | 615 | 12 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 96,587 | 96,217 | 370 | 113,664 | 113,196 | 468 |
| Loans | 19,457 | 19,653 | (196) | 20,000 | 20,278 | (278) |
| Other assets [1] | 20,749 | 25,756 | (5,007) | 22,060 | 29,787 | (7,727) |
| Due to banks and customer deposits | (690) | (680) | (10) | (531) | (493) | (38) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (76,104) | (76,012) | (92) | (108,784) | (108,701) | (83) |
| Short-term borrowings | (6,053) | (5,896) | (157) | (4,513) | (4,339) | (174) |
| Long-term debt | (61,853) | (61,529) | (324) | (64,774) | (66,434) | 1,660 |
| Other liabilities | (1,780) | (3,285) | 1,505 | (3,683) | (6,186) | 2,503 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2013 Net gains/ (losses) | 2012 Net gains/ (losses) | 2011 Net gains/ (losses) |
|---|---|---|---|
| **Financial instruments (CHF million)** | | | |
| Cash and due from banks | 0 | (13) [2] | – |
| of which related to credit risk | 0 | (13) | – |
| Interest-bearing deposits with banks | 10 [1] | 12 [1] | 0 |
| of which related to credit risk | (3) | 3 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,143 [1] | 1,183 [1] | 1,698 [1] |
| Other trading assets | 0 | 10 [2] | 10 [2] |
| Other investments | 126 [3] | 144 [3] | 196 [2] |
| of which related to credit risk | 11 | 34 | (14) |
| Loans | 1,470 [1] | 925 [1] | (1,105) [2] |
| of which related to credit risk | 26 | 318 | (256) |
| Other assets | 2,058 [1] | 2,641 [1] | 476 [1] |
| of which related to credit risk | 604 | 355 | (332) |
| Due to banks and customer deposits | 0 | (22) [1] | (2) [1] |
| of which related to credit risk | (5) | 8 | 45 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (67) [1] | (114) [1] | (575) [1] |
| Short-term borrowings | (256) [2] | (350) [2] | 91 [2] |
| of which related to credit risk [4] | 0 | 0 | (2) |
| Long-term debt | (2,697) [2] | (7,709) [2] | 2,301 [2] |
| of which related to credit risk [4] | (309) | (2,365) | 1,769 |
| Other liabilities | 413 [2] | 826 [2] | (286) [2] |
| of which related to credit risk | 112 | 912 | (348) |

1 Primarily recognized in net interest income.
2 Primarily recognized in trading revenues.
3 Primarily recognized in other revenues.
4 Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

### Carrying value and fair value of financial instruments not carried at fair value

| end of | Carrying value | Level 1 | Level 2 | Level 3 | Fair value Total |
|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,426 | 0 | 62,882 | 544 | 63,426 |
| Loans | 209,070 | 0 | 209,820 | 3,940 | 213,760 |
| Other financial assets [1] | 143,827 | 71,518 | 71,135 | 1,473 | 144,126 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 340,278 | 204,134 | 136,064 | 9 | 340,207 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 64,788 | 0 | 62,027 | 3,774 | 65,801 |
| Other financial liabilities [2] | 96,649 | 1,128 | 94,452 | 1,085 | 96,665 |
| **2012 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 69,783 | 0 | 69,755 | 27 | 69,782 |
| Loans | 204,551 | 0 | 206,214 | 4,482 | 210,696 |
| Other financial assets [1] | 133,498 | 63,519 | 68,568 | 1,680 | 133,767 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 320,208 | 193,288 | 126,798 | 9 | 320,095 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 23,937 | 0 | 23,939 | 0 | 23,939 |
| Short-term borrowings | 10,325 | 0 | 10,328 | 0 | 10,328 |
| Long-term debt | 82,223 | 0 | 79,032 | 4,546 | 83,578 |
| Other financial liabilities [2] | 89,275 | 0 | 88,035 | 1,170 | 89,205 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 34 Assets pledged and collateral

### Assets pledged

The Bank pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

### Assets pledged

| end of | **2013** | 2012 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 137,207 | 145,598 |
| of which encumbered | 92,300 | 90,745 |

### Collateral

The Bank receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Bank was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2013 | 2012 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 359,508 | 402,784 |
| of which sold or repledged | 267,902 | 292,531 |

### Other information

| end of | 2013 | 2012 |
|---|---|---|
| **Other information (CHF million)** | | |
| Cash and securities restricted under foreign banking regulations | 18,130 | 14,340 |
| Swiss National Bank required minimum liquidity reserves | 2,305 | 2,312 |

▸ Refer to “Note 35 – Assets pledged and collateral” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 35 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Bank has operated under the international capital adequacy standards known as Basel III set forth by the BCBS. These standards have affected the measurement of both total eligible capital and risk-weighted assets.

As of December 31, 2013 and 2012, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the Bank for International Settlements (BIS) guidelines.

▸ Refer to “Note 36 – Capital adequacy” in V – Consolidated financial statements – Credit Suisse Group for further information.

### Broker-dealer operations

Certain Bank broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2013 and 2012, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

### Dividend restrictions

Certain of the Bank’s subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

As of December 31, 2013 and 2012, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

### BIS statistics – Basel III

| end of | 2013 | 2012 |
|---|---|---|
| **Eligible capital (CHF million)** | | |
| CET1 capital | 38,028 | 36,717 |
| Additional tier 1 capital | 3,077 | 3,760 |
| **Total tier 1 capital** | **41,105** | **40,477** |
| Tier 2 capital | 10,961 | 8,829 |
| **Total eligible capital** | **52,066** | **49,306** |
| **Risk-weighted assets (CHF million)** | | |
| Credit risk | 166,324 | 191,649 |
| Market risk | 39,111 | 39,438 |
| Operational risk | 53,075 | 45,125 |
| Non-counterparty risk | 5,758 | 5,873 |
| **Risk-weighted assets** | **264,268** | **282,085** |
| **Capital ratios (%)** | | |
| CET1 ratio | 14.4 | 13.0 |
| Tier 1 ratio | 15.6 | 14.3 |
| Total capital ratio | 19.7 | 17.5 |

## 36 Litigation

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 37 Significant subsidiaries and equity method investments

### Significant subsidiaries

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| **as of December 31, 2013** | | | | |
| | **Credit Suisse AG** | | | |
| 100 | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100 | Banco Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 53.6 |
| 100 | Banco Credit Suisse (México), S.A. | Mexico City, Mexico | MXN | 1,716.7 |
| 100 | Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 164.8 |
| 100 | Boston Re Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100 | CJSC Bank Credit Suisse (Moscow) | Moscow, Russia | USD | 37.8 |
| 100 | Column Financial, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse (Australia) Limited | Sydney, Australia | AUD | 34.1 |
| 100 | Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A. | São Paulo, Brazil | BRL | 5.0 |
| 100 | Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários | São Paulo, Brazil | BRL | 98.4 |
| 100 | Credit Suisse (Deutschland) Aktiengesellschaft | Frankfurt, Germany | EUR | 130.0 |
| 100 | Credit Suisse (France) | Paris, France | EUR | 52.9 |
| 100 | Credit Suisse (Gibraltar) Limited | Gibraltar, Gibraltar | GBP | 5.0 |
| 100 | Credit Suisse (Channel Islands) Limited | St. Peter Port, Guernsey | USD | 6.1 |
| 100 | Credit Suisse (Hong Kong) Limited | Hong Kong, China | HKD | 6,910.9 |
| 100 | Credit Suisse (Italy) S.p.A. | Milan, Italy | EUR | 139.6 |
| 100 | Credit Suisse (Monaco) S.A.M. | Monte Carlo, Monaco | EUR | 18.0 |
| 100 | Credit Suisse (Poland) Sp. z o.o | Warsaw, Poland | PLN | 20.0 |
| 100 | Credit Suisse (Qatar) LLC | Doha, Qatar | USD | 24.0 |
| 100 | Credit Suisse (Singapore) Limited | Singapore, Singapore | SGD | 743.3 |
| 100 | Credit Suisse (UK) Limited | London, United Kingdom | GBP | 168.2 |
| 100 | Credit Suisse (USA), Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 144.2 |
| 100 | Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH | Frankfurt, Germany | EUR | 6.1 |
| 100 | Credit Suisse Asset Management International Holding Ltd | Zurich, Switzerland | CHF | 20.0 |
| 100 | Credit Suisse Asset Management Investments Ltd | Zurich, Switzerland | CHF | 0.1 |
| 100 | Credit Suisse Asset Management Limited | London, United Kingdom | GBP | 45.0 |
| 100 | Credit Suisse Asset Management, LLC | Wilmington, United States | USD | 1,086.8 |
| 100 | Credit Suisse Business Analytics (India) Private Limited | Mumbai, India | INR | 40.0 |
| 100 | Credit Suisse Capital (Guernsey) I Limited | St. Peter Port, Guernsey | USD | 0.0 |
| 100 | Credit Suisse Capital LLC | Wilmington, United States | USD | 737.6 |

## Significant subsidiaries (continued)

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| 100 | Credit Suisse Energy (Canada) Limited | Toronto, Canada | USD | 0.0 |
| 100 | Credit Suisse Energy LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Equities (Australia) Limited | Sydney, Australia | AUD | 62.5 |
| 100 | Credit Suisse Finance (Guernsey) Limited | St. Peter Port, Guernsey | USD | 0.2 |
| 100 | Credit Suisse Finance (India) Private Limited | Mumbai, India | INR | 1,050.1 |
| 100 | Credit Suisse First Boston (Latin America Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100 | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100 | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, United States | USD | 356.6 |
| 100 | Credit Suisse First Boston Next Fund, Inc. | Wilmington, United States | USD | 10.0 |
| 100 | Credit Suisse Fund Management S.A. | Luxembourg, Luxembourg | CHF | 0.3 |
| 100 | Credit Suisse Fund Services (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 1.5 |
| 100 | Credit Suisse Funds AG | Zurich, Switzerland | CHF | 7.0 |
| 100 | Credit Suisse Hedging-Griffo Corretora de Valores S.A. | São Paulo, Brazil | BRL | 29.6 |
| 100 | Credit Suisse Holding Europe (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 32.6 |
| 100 | Credit Suisse Holdings (Australia) Limited | Sydney, Australia | AUD | 3.0 |
| 100 [1] | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 100 | Credit Suisse Leasing 92A, L.P. | New York, United States | USD | 43.9 |
| 100 | Credit Suisse Life & Pensions AG | Vaduz, Liechtenstein | CHF | 15.0 |
| 100 | Credit Suisse Life (Bermuda) Ltd. | Hamilton, Bermuda | USD | 1.0 |
| 100 | Credit Suisse Loan Funding LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Management LLC | Wilmington, United States | USD | 896.8 |
| 100 | Credit Suisse Principal Investments Limited | George Town, Cayman Islands | JPY | 3,324.0 |
| 100 | Credit Suisse Private Equity, LLC | Wilmington, United States | USD | 42.2 |
| 100 | Credit Suisse PSL GmbH | Zurich, Switzerland | CHF | 0.0 |
| 100 | Credit Suisse Securities (Canada), Inc. | Toronto, Canada | CAD | 3.4 |
| 100 | Credit Suisse Securities (Europe) Limited | London, United Kingdom | USD | 2,859.3 |
| 100 | Credit Suisse Securities (Hong Kong) Limited | Hong Kong, China | HKD | 530.9 |
| 100 | Credit Suisse Securities (India) Private Limited | Mumbai, India | INR | 2,214.8 |
| 100 | Credit Suisse Securities (Japan) Limited | Tokyo, Japan | JPY | 78,100.0 |
| 100 | Credit Suisse Securities (Johannesburg) Proprietary Limited | Johannesburg, South Africa | ZAR | 0.0 |
| 100 | Credit Suisse Securities (Malaysia) Sdn. Bhd. | Kuala Lumpur, Malaysia | MYR | 100.0 |
| 100 | Credit Suisse Securities (Moscow) | Moscow, Russia | RUB | 97.1 |
| 100 | Credit Suisse Securities (Singapore) Pte Limited | Singapore, Singapore | SGD | 30.0 |
| 100 | Credit Suisse Securities (Thailand) Limited | Bangkok, Thailand | THB | 500.0 |
| 100 | Credit Suisse Securities (USA) LLC | Wilmington, United States | USD | 1,881.5 |
| 100 | CSAM Americas Holding Corp. | Wilmington, United States | USD | 0.0 |
| 100 | CS International Advisors AG | Zurich, Switzerland | CHF | 0.1 |
| 100 | CS Non-Traditional Products Ltd. | Nassau, Bahamas | USD | 0.1 |
| 100 | DLJ LBO Plans Management, LLC | Wilmington, United States | USD | 7.8 |
| 100 | DLJ Mortgage Capital, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Merban Equity AG | Zug, Switzerland | CHF | 0.1 |
| 100 | SPS Holding Corporation | Wilmington, United States | USD | 0.1 |
| 99 | PT Credit Suisse Securities Indonesia | Jakarta, Indonesia | IDR | 235,000.0 |
| 98 | Credit Suisse Hypotheken AG | Zurich, Switzerland | CHF | 0.1 |
| 98 [2] | Credit Suisse International | London, United Kingdom | USD | 13,107.7 |
| 83 | Asset Management Finance LLC | Wilmington, United States | USD | 341.8 |
| 71 | Credit Suisse Saudi Arabia | Riyadh, Saudi Arabia | SAR | 300.0 |
| 58 [3] | Credit Suisse (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 150.0 |

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] Remaining 2% held directly by Credit Suisse Group AG. 80% of voting rights and 98% of equity interest held by Credit Suisse AG.
[3] 42% of voting rights held directly by Credit Suisse Group AG.

### Significant equity method investments

| Equity interest in % | Company name | Domicile |
|---|---|---|
| **as of December 31, 2013** | | |
| | **Credit Suisse AG** | |
| 33 | Credit Suisse Founder Securities Limited | Beijing, China |
| 23 | E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd | Melbourne, Australia |
| 20 | ICBC Credit Suisse Asset Management Co., Ltd. | Beijing, China |
| 5 [1] | York Capital Management Global Advisors, LLC | New York, United States |

[1] The Bank holds a significant noncontrolling interest.

## 38 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

▸ Refer to "Note 42 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 39 Risk assessment

During the reporting period the Board of Directors and its Risk Committee performed risk assessments in accordance with established policies and procedures.

The governance of the Bank and the Group, including risk governance, is fully aligned. Both the Board of Directors and the Executive Board are comprised of the same individuals.

▸ Refer to "Note 43 – Risk assessment" in V – Consolidated financial statements – Credit Suisse Group for information in accordance with the Swiss Code of Obligations on the risk assessment process followed by the Board of Directors.

# Controls and procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2013, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2013 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework (1992)".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2013.

KPMG AG, the Bank's independent auditors, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2013, as stated in their report, which follows.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

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**Audit Financial Services**
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Report of the Independent Registered Public Accounting Firm to the General Meeting of Shareholders of

**Credit Suisse AG, Zurich**

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We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's board of directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2013, and our report dated April 3, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

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

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

# VIII

# Parent company financial statements – Credit Suisse (Bank)

## Parent company financial statements



## Notes to the financial statements

**KPMG AG**
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Report of the Statutory Auditor on the Financial Statements to the General Meeting of

**Credit Suisse AG, Zurich**

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG (the "Bank"), which comprise the balance sheet, statements of income and notes for the year ended December 31, 2013.

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

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

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

*Opinion*
In our opinion, the financial statements for the year ended December 31, 2013 comply with Swiss law and the Bank's articles of incorporation.

KPMG

*Credit Suisse AG, Zurich*
*Report of the Statutory Auditor*
*on the Financial Statements*
*to the General Meeting*

**Report on Other Legal and Regulatory Requirements**

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

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

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

KPMG AG

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

Ralph Dicht
*Licensed Audit Expert*

Zurich, Switzerland
April 3, 2014

# Financial review

The Credit Suisse AG (Bank) parent company (Bank parent company) recorded net operating income of CHF 11,117 million in 2013, up 9% compared to CHF 10,235 million in 2012. After deduction of operating expenses totaling CHF 6,641 million, down 7% from 2012, gross operating profit was CHF 4,476 million, up CHF 1,351 million, or 43%, compared to 2012.

Depreciation of noncurrent assets of CHF 2,894 million, which included a CHF 2,092 million impairment of participating interests, decreased from CHF 3,267 million in 2012. Valuation adjustments, provisions and losses of CHF 773 million in 2013 was up CHF 247 million, or 47%, compared to 2012 and included CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014. The resulting operating profit in 2013 was CHF 809 million, compared to an operating loss of CHF 668 million in 2012. The Bank parent company recorded net profit of CHF 1,066 million in 2013, compared to a net profit of CHF 183 million in 2012.

Net interest income of CHF 3,631 million in 2013 increased CHF 640 million, or 21%, compared to 2012. Net commission and service fee activities of CHF 5,234 million in 2013 increased CHF 179 million, or 4%, compared to 2012. The Bank parent company reported net trading income of CHF 801 million, up CHF 655 million from 2012, mainly due to trading gains in equity instruments and reduced trading losses in credit products included in other trading losses, partially offset by trading losses in interest-related instruments. Net other ordinary income was CHF 1,451 million compared to CHF 2,043 million in 2012. The decrease of CHF 592 million, or 29%, was mainly related to reduced income from the disposal of financial investments, a decrease in income received from services provided for other companies of Credit Suisse Group (Group) and lower income from participating interests.

Operating expenses of CHF 6,641 million were down CHF 469 million, or 7%, compared to 2012. Personnel expenses decreased CHF 464 million, or 9%. Property, equipment and administrative costs were stable at CHF 2,016 million. Extraordinary income in 2013 of CHF 807 million reflected realized gains from the sale of real estate of CHF 156 million, the release of replacement reserves totaling CHF 320 million and realized gains from the disposal of participating interests of CHF 230 million, mainly related to the sale of the exchange-traded funds (ETF) business to BlackRock and the sale of the equity and debt underwriting and advisory services businesses in France to Credit Suisse Securities (Europe) Ltd., a subsidiary of the Bank parent company. Other extraordinary income of CHF 101 million was substantially all related to prior periods. The losses realized on the disposal of participating interests included realized losses of CHF 218 million from the partial redemption of ordinary shares in Credit Suisse Capital (Guernsey) I Limited in December 2013, and realized losses of CHF 70 million from the repatriation and liquidation of three participating interests.

Changes in shareholder's equity included a capital contribution by the shareholder of CHF 4,468 million, of which CHF 3,578 million related to a contribution in kind of preferred shares in Credit Suisse Holdings (USA), Inc. from the Credit Suisse Group AG to the Bank parent company.

At the Annual General Meeting on May 9, 2014, the registered shareholders will be asked to approve the Board of Directors' proposed appropriation of retained earnings, which includes a dividend of CHF 10 million.

# Parent company financial statements

## Statements of income

| | Reference to notes | 2013 | in 2012 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Interest and discount income | | 8,192 | 8,436 |
| Interest and dividend income from trading portfolio | | 916 | 956 |
| Interest and dividend income from financial investments | | 29 | 37 |
| Interest expense | | (5,506) | (6,438) |
| **Net interest income** | 3 | **3,631** | **2,991** |
| **Net commission and service fee activities (CHF million)** | | | |
| Commission income from lending transactions | | 791 | 749 |
| Securities and investment commissions | | 4,403 | 4,193 |
| Other commission and fee income | | 723 | 707 |
| Commission expense | | (683) | (594) |
| **Net commission and service fee activities** | | **5,234** | **5,055** |
| **Net trading income** | 3 | **801** | **146** |
| **Net other ordinary income (CHF million)** | | | |
| Income from the disposal of financial investments | | 17 | 291 |
| Income from participating interests | | 1,139 | 1,237 |
| Income from real estate | | 31 | 33 |
| Other ordinary income | | 550 | 775 |
| Other ordinary expenses | | (286) | (293) |
| **Net other ordinary income** | | **1,451** | **2,043** |
| **Net operating income** | | **11,117** | **10,235** |
| **Operating expenses (CHF million)** | | | |
| Personnel expenses | | 4,625 | 5,089 |
| Property, equipment and administrative costs | | 2,016 | 2,021 |
| **Total operating expenses** | | **6,641** | **7,110** |
| **Gross operating profit** | | **4,476** | **3,125** |
| Depreciation of noncurrent assets | | 2,894 | 3,267 |
| Valuation adjustments, provisions and losses | | 773 | 526 |
| **Operating profit/(loss)** | | **809** | **(668)** |
| Extraordinary income | 3 | 807 | 1,113 |
| Extraordinary expenses | 3 | (297) | (106) |
| Taxes | | (253) | (156) |
| **Net profit** | | **1,066** | **183** |

## Balance sheets

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and other liquid assets | | 53,508 | 43,929 |
| Money market instruments | | 4,480 | 5,384 |
| Due from banks | | 168,159 | 164,754 |
| Due from customers | | 192,376 | 188,085 |
| Mortgages | | 111,041 | 107,601 |
| Securities and precious metals trading portfolio | | 19,923 | 19,285 |
| Financial investments | | 800 | 1,324 |
| Participating interests | | 36,034 | 34,139 |
| Tangible fixed assets | | 3,038 | 3,274 |
| Intangible assets | | 213 | 261 |
| Accrued income and prepaid expenses | | 2,202 | 2,539 |
| Other assets | 5 | 14,588 | 18,488 |
| **Total assets** | | **606,362** | **589,063** |
| of which subordinated amounts receivable | | 1,264 | 183 |
| of which amounts receivable from group companies and qualified shareholders | | 250,727 | 242,136 |
| **Liabilities and shareholder's equity (CHF million)** | | | |
| Liabilities from money market instruments | 7 | 54,544 | 35,260 |
| Due to banks | | 101,583 | 95,820 |
| Due to customers, savings and investment deposits | | 55,637 | 52,534 |
| Due to customers, other deposits | | 240,519 | 232,888 |
| Medium-term notes | | 1,884 | 2,412 |
| Bonds and mortgage-backed bonds | 7 | 89,348 | 107,573 |
| Accrued expenses and deferred income | | 3,590 | 3,745 |
| Other liabilities | 5 | 13,374 | 18,795 |
| Valuation adjustments and provisions | 9 | 1,351 | 1,028 |
| **Total liabilities** | | **561,830** | **550,055** |
| Share and participation capital | 10 | 4,400 | 4,400 |
| General reserves | | 6,678 | 6,644 |
| Reserves from capital contributions | | 26,619 | 22,185 |
| General legal reserves | | 33,297 | 28,829 |
| Other reserves | | 610 | 610 |
| Retained earnings carried forward | | 5,159 | 4,986 |
| Net profit | | 1,066 | 183 |
| **Total shareholder's equity** | 12 | **44,532** | **39,008** |
| **Total liabilities and shareholder's equity** | | **606,362** | **589,063** |
| of which subordinated amounts payable | | 21,879 | 20,438 |
| of which amounts payable to group companies and qualified shareholders | | 118,093 | 108,730 |

## Off-balance sheet transactions

| end of | 2013 | 2012 |
|---|---|---|
| **Off-balance sheet transactions (CHF million)** | | |
| Contingent liabilities | 223,448 | 247,827 |
| Irrevocable commitments | 87,108 | 77,406 |
| Liabilities for calls on shares and other equity instruments | 42 | 42 |
| Fiduciary transactions | 5,089 | 5,810 |
| **Derivative financial instruments (CHF million)** | | |
| Gross positive replacement values | 52,735 | 54,088 |
| Gross negative replacement values | 51,018 | 53,437 |
| Contract volume | 4,239,043 | 4,885,466 |

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

Contingent liabilities to other Bank entities include guarantees for obligations, performance-related guarantees and letters of comfort issued to third parties. Contingencies with a stated amount are included in the off-balance sheet section of the financial statements. In some instances, the Bank parent company's exposure is not defined as an amount but relates to specific circumstances such as the solvency of subsidiaries or the performance of a service.

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

# Notes to the financial statements

## 1 Description of business activities

The Bank parent company is a Swiss bank with total assets of CHF 606.4 billion and shareholder's equity of CHF 44.5 billion as of December 31, 2013.

The Bank parent company is a 100% subsidiary of Credit Suisse Group AG domiciled in Switzerland. Since November 30, 2012, the Bank parent company's business consists of two divisions, Private Banking & Wealth Management and Investment Banking:

- Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Wealth Management Clients serves ultra-high-net-worth and high-net-worth individuals around the globe in addition to affluent and retail clients in Switzerland. Corporate & Institutional Clients serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across asset classes and for all investment styles, serving governments, institutions, corporations and individuals worldwide.
- Investment Banking offers investment banking and securities products and services to corporate, institutional and government clients around the world. Its products and services include debt and equity underwriting, sales and trading, mergers and acquisitions advice, divestitures, corporate sales, restructuring and investment research.

The two divisions are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and information technology.

## 2 Accounting and valuation policies

### Basis for accounting

The Bank parent company's stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks, the corresponding Implementing Ordinance and the Swiss Financial Market Supervisory Authority FINMA (FINMA) Circular 2008/2, "Accounting – banks" (Swiss GAAP statutory).

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

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

‣ Refer to "Note 38 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

Additional differences between US GAAP and Swiss GAAP statutory are stated below and should be read in conjunction with Note 1 – Summary of significant accounting policies in VII – Consolidated financial statements – Credit Suisse (Bank). Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation and had no impact on net profit or total shareholder's equity.

### Foreign currency translations

Under US GAAP, foreign currency translation adjustments resulting from the consolidation of branches with functional currencies other than the Swiss franc are included in accumulated other comprehensive income/(loss) (AOCI) in shareholders' equity. Under Swiss GAAP, foreign currency translation adjustments from the consolidation of foreign branches is recognized in trading income.

Under US GAAP, foreign currency translation adjustments for available-for-sale securities are reported in AOCI, which is part of total shareholder's equity, whereas for Swiss GAAP statutory purposes they are included in the statements of income.

### Share-based compensation

Under US GAAP, share-based compensation plans are treated as equity awards. Under Swiss GAAP, such plans are treated as liability awards with changes in fair value of unsettled awards recognized in the statements of income.

### Treasury shares and derivatives on own shares

Under US GAAP, treasury shares are recognized at cost directly in equity. Under Swiss GAAP, own shares and derivatives on own shares are recognized as assets or liabilities. Treasury shares can be classified as trading assets and marked to market through the statements of income or as financial investment carried at lower of cost or market. Derivatives on own shares are reported at fair value in other assets or other liabilities.

### Derivatives used for fair value hedging

Under US GAAP, the full amount of unrealized losses on derivatives classified as hedging instruments and the corresponding gains on the hedged available-for-sale securities are recognized in income. Under Swiss GAAP, the amount representing the portion exceeding historical cost of the hedged financial investments is recorded in the compensation account.

### Deferred taxes

US GAAP allows the recognition of deferred tax assets on net operating loss carry-forwards. Such recognition is not allowed for Swiss GAAP statutory purposes.

### Investments in equity securities

Under US GAAP, investments in equity securities where the Bank parent company has the ability to significantly influence the operating and financial policies of an investee are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Bank parent company's share of the profit or loss, as well as any impairment on the investee, if applicable, are reported in other revenues. Under Swiss GAAP, neither the equity method of accounting nor the fair value option is allowed for such investments. Investments in equity securities that are held with the intention of a permanent investment are recorded as participating interests irrespective of the percentage ownership of voting shares held. Equity securities held for trading purposes that meet the criteria for trading positions are recorded in the trading portfolio at fair value. Equity securities that are not held for permanent investment purposes and do not qualify as trading portfolio positions are recorded as financial investments at lower of cost or market.

### Participating interests

Participating interests are initially recognized at cost. For the purpose of testing the Bank parent company's participating interests for impairment, the portfolio method is applied. An impairment is recorded if the carrying value of a portfolio of participating interests exceeds its fair value.

### Notes on risk management

▸ Refer to "Note 8 – Trading revenues" and "Note 30 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) for information on the Bank parent company's policy with regard to risk management and the use of financial derivatives.

### Subsequent events

On February 25, 2014, the Bank parent company transferred assets and liabilities of CHF 242 million and CHF 238 million, respectively, relating to its US cross-border business for no consideration to CS International Advisors AG, a wholly owned Swiss subsidiary of the Bank parent company incorporated in December 2013. CS International Advisors AG is a Swiss bank.

On March 18, 2014, a second tranche of ordinary shares in Credit Suisse Capital (Guernsey) I Limited held by the Bank parent company was redeemed at par value resulting in a factual liquidation of the participation. On March 21, 2014, additional liquidation proceeds of CHF 40 million were distributed to the Bank parent company. The net impact of this factual liquidation on the Bank parent company's pre-tax income was a loss of CHF 236 million, which will be recorded in 2014.

On April 3, 2014, Credit Suisse Group AG announced that its previously reported 2013 results were updated to reflect additional litigation provisions in connection with the US tax matter. The impact of those additional provisions were also reflected in the Bank parent company's 2013 results.

▸ Refer to "Note 3 – Business developments and subsequent events" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the US tax matter.

## 3 Additional information on the parent company statements of income

| in | 2013 | 2012 |
|---|---|---|
| **Net trading income (CHF million)** | | |
| Income from trading in interest-related instruments | (323) | 771 |
| Income/(loss) from trading in equity instruments | 377 | (527) |
| Income from foreign exchange and banknote trading | 1,061 | 1,002 |
| Income from precious metals trading | 51 | 40 |
| Other gains/(losses) from trading | (365) | (1,140) |
| **Total net trading income** | **801** | **146** |

| in | 2013 | 2012 |
|---|---|---|
| **Extraordinary income and expenses (CHF million)** | | |
| Gains realized from the disposal of participating interests | 230 [1] | 137 [2] |
| Gains realized from the sale of real estate | 156 | 687 |
| Release of reserves for general banking risks and other provisions [3] | 320 [3] | 234 [4] |
| Other extraordinary income [5] | 101 | 55 |
| **Extraordinary income** | **807** | **1,113** |
| Losses realized from the disposal of participating interests | (288) [6] | 0 |
| Other extraordinary expenses | (9) | (106) [5] |
| **Extraordinary expenses** | **(297)** | **(106)** |
| **Total net extraordinary income and expenses** | **510** | **1,007** |

[1] Primarily related to the sale of the ETF business to BlackRock and the sale of the equity and debt underwriting and advisory businesses in France to Credit Suisse Securities (Europe) Ltd.
[2] Primarily related to the sale of the remaining participating interests in Aberdeen Asset Management and the sale of a non-core business in Private Banking & Wealth Management.
[3] Includes the release of replacement reserves.
[4] Includes the release of reserves for general banking risks of CHF 165 million and other provisions economically no longer required of CHF 69 million.
[5] Substantially all related to prior periods.
[6] Includes realized losses of CHF 218 million from the partial redemption of ordinary shares in Credit Suisse Capital (Guernsey) I Limited in December 2013, and realized losses of CHF 70 million from the repatriation and liquidation of three participating interests.

### Net interest income

Negative interest income is debited to interest income and negative interest expense is credited to interest expense. In 2013 and 2012, negative interest income and negative interest expense were immaterial.

## 4 Pledged assets and assets under reservation of ownership

| end of | 2013 | 2012 |
|---|---|---|
| **Pledged assets and assets under reservation of ownership (CHF million)** | | |
| Assets pledged and assigned as collateral | 25,534 | 27,098 |
| Actual commitments secured | 13,669 | 15,283 |

## 5 Other assets and other liabilities

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Other assets (CHF million)** | | |
| Net positive replacement values | 13,608 | 17,331 |
| Other | 980 | 1,157 |
| **Total other assets** | **14,588** | **18,488** |
| **Other liabilities (CHF million)** | | |
| Net negative replacement values | 12,156 | 17,389 |
| Other | 1,218 | 1,406 |
| **Total other liabilities** | **13,374** | **18,795** |

## 6 Securities borrowing and securities lending, repurchase and reverse repurchase agreements

| end of | 2013 | 2012 |
| --- | --- | --- |
| **Securities borrowing and securities lending, repurchase and reverse repurchase agreements (CHF million)** | | |
| Due from banks | 18,177 | 28,158 |
| Due from customers | 518 | 4,726 |
| **Cash collateral paid for securities borrowed and reverse repurchase agreements** | **18,695** | **32,884** |
| Due to banks | 12,588 | 12,492 |
| Due to customers | 339 | 1,188 |
| **Cash collateral received for securities lent and repurchase agreements** | **12,927** | **13,680** |
| Carrying value of securities transferred under securities lending and borrowing and repurchase agreements | 4,747 | 3,737 |
| of which transfers with the right to resell or repledge | 4,747 | 3,436 |
| Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge | 46,402 | 73,486 |
| of which resold or repledged | 26,150 | 35,491 |

## 7 Balance sheet items that include issued structured products at fair value

| | 2013 | | 2012 | |
| --- | --- | --- | --- | --- |
| end of | Total book value | Of which reported at fair value | Total book value | Of which reported at fair value |
| **Balance sheet items that include issued structured products at fair value (CHF million)** | | | | |
| Liabilities from money market instruments | 54,544 | 5,568 | 35,260 | 4,916 |
| Bonds and mortgage-backed bonds | 89,348 | 11,257 | 107,573 | 11,801 |
| **Total** | **143,892** | **16,825** | **142,833** | **16,717** |

## 8 Liabilities due to own pension plans

Liabilities due to the Bank parent company's own pension plans as of December 31, 2013 and 2012 of CHF 2,841 million and CHF 2,553 million, respectively, are reflected in various liability accounts in the Bank parent company's balance sheet.

▸ Refer to "Note 29 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information.

### Swiss pension plan

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

As of January 1, 2013, all covered active employees, which previously were insured in the annuity section of the pension plan, were converted to the savings section. The impact from this conversion was recognized by the Bank parent company upon announcement of this plan amendment in 2011. The annuity section of the plan has ceased accruing new benefits.

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

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

| | Bank parent company's share in over/(under) -funding [1] | Economic benefit/(obligation) recorded by Bank parent company [2] | | | Pension contributions – accrued liabilities | Pension expenses included in personnel expenses [3] | |
|---|---|---|---|---|---|---|---|
| end of / in | **2013** | **2013** | 2012 | Change | **2013** | **2013** | 2012 |
| **CHF million** | | | | | | | |
| Pension plan – status overfunded | 1,453 | – | – | – | 37 | 412 | 465 |

[1] Represents the Bank parent company's share of 93.89% in the total overfunding of the Swiss pension plan of CHF 1,548 million.
[2] In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.
[3] Includes a release of employer contribution reserves of CHF 51 million and CHF 142 million in 2013 and 2012, respectively, which were established in 2011 in the context of headcount reductions and the plan amendment announced.

As of December 31, 2013 and 2012, the Bank parent company had an employer contribution reserve of CHF 43 million and CHF 94 million, respectively, of which CHF 12 million and CHF 19 million, respectively, were dedicated to specific events, such as early retirements, and subject to a waiver by the Bank parent company. In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

## 9 Valuation adjustments and provisions

| | Total 2012 | Utilized for purpose | Recoveries, endangered interest, currency differences | New charges to income statement | Releases to income statement | **Total 2013** |
|---|---|---|---|---|---|---|
| **Valuation adjustments and provisions (CHF million)** | | | | | | |
| Provisions for deferred taxes | 102 | 0 | 1 | 11 | (54) | 60 |
| Valuation adjustments and provisions for default risks | 1,090 | (205) | 73 | 274 | (256) | 976 |
| Valuation adjustments and provisions for other business risks [1] | 36 | (16) | 2 | 121 | (6) | 137 |
| Other provisions [2, 3] | 890 | (16) | (25) | 737 | (432) [4] | 1,154 |
| Subtotal | 2,016 | (237) | 50 | 1,132 | (694) | 2,267 |
| **Total valuation adjustments and provisions** | **2,118** | **(237)** | **51** | **1,143** | **(748)** | **2,327** |
| Less direct charge-offs against specific assets | (1,090) | | | | | (976) |
| **Total valuation adjustments and provisions as shown in the balance sheet** | **1,028** | | | | | **1,351** |

[1] Provisions are not discounted due to their short-term nature.
[2] Includes provisions in respect of litigation claims of CHF 961 million and CHF 370 million as of December 31, 2013 and 2012, respectively.
[3] Includes provisions for pension benefit obligations from international plans of CHF 2 million and CHF 4 million as of December 31, 2013 and 2012, respectively.
[4] Includes a release of replacement reserves of CHF 320 million.

## 10 Composition of share and participation capital, conditional, conversion and reserve capital

| | | **2013** | | 2012 |
|---|---|---|---|---|
| end of | Quantity | Total nominal value in CHF million | Quantity | Total nominal value in CHF million |
| **Share and participation capital** | | | | |
| Registered shares [1] | 4,399,665,200 | 4,400 [2] | 43,996,652 | 4,400 [2] |
| Participation securities (at CHF 0.01 par value per share) [3] | 1,500,000 | 0 [4] | 1,500,000 | 0 [4] |
| **Total share and participation capital** | | **4,400** | | **4,400** |
| **Conditional, conversion and reserve capital** | | | | |
| Conditional capital (at CHF 100 par value per share) [5] | – | – | 20,000,000 | 2,000 |
| of which used for capital increases | – | – | 0 | 0 |
| Unlimited conversion capital (at CHF 1 par value per share) [6] | unlimited | unlimited | – | – |
| of which used for capital increases | 0 | 0 | – | – |
| of which reserved for capital instruments outstanding | 0 | 0 | – | – |
| Reserve capital (at CHF 1 par value per share) [7] | 4,399,665,200 | 4,400 | – | – |
| of which used for capital increases | 0 | 0 | – | – |
| of which reserved for planned capital increases | 0 | 0 | – | – |

[1] The increase in the number of shares reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013.
[2] The dividend eligible capital equals the total nominal value. As of December 31, 2013 and 2012, the total nominal value of registered shares was CHF 4,399,665,200. Refer to footnotes 3 and 4 for the conversion of participation securities of Class A into registered shares.
[3] For information on principal characteristics of participation securities, refer to Articles 4a, 4b and 4c in the Articles of Association of Credit Suisse AG. On December 27, 2013, the holders of Class A participation securities irrevocably waived their preference rights and agreed to a conversion of the 750,000 Class A participation securities into 7,500 registered shares of Credit Suisse AG. On the same date, the Articles of Association of Credit Suisse AG were amended accordingly. The waiver of preference rights became effective on December 27, 2013 and conversion into registered shares became effective with the entry in the Commercial Register of the Canton of Zurich on January 16, 2014.
[4] The dividend eligible capital equals the total nominal value. As of December 31, 2013 and 2012, the total nominal value of participation securities was CHF 15,000. On December 27, 2013, the shareholder of Credit Suisse AG amended the Articles of Association to convert the Class A participation securities into registered shares of Credit Suisse AG. Following effectiveness of conversion (see footnote 3), only a total nominal value of participation securities of CHF 7,500 is entitled to dividends while a nominal value of CHF 7,500 that was converted into registered shares is entitled to dividends as registered shares.
[5] With the amendment of Article 4d of the Articles of Association of Credit Suisse AG effective November 19, 2013, the conditional capital was cancelled.
[6] For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of Credit Suisse AG.
[7] For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of Credit Suisse AG.

## 11 Major shareholders and groups of shareholders

| | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Quantity | Total nominal value in CHF million | Share % | Quantity | Total nominal value in CHF million | Share % |
| **Direct shareholder** | | | | | | |
| Credit Suisse Group AG | 4,399,665,200 [1] | 4,400 | 100% | 43,996,652 [1] | 4,400 | 100% |

[1] All shares with voting rights. The increase in the number of shares reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013.

### Indirect shareholders

In a disclosure notification that the Group published on April 6, 2013, Credit Suisse Group AG (Group parent company) was notified that as of February 25, 2013, The Olayan Group, through its registered entity Crescent Holding GmbH, held 88.5 million shares, or 6.7%, of the registered Credit Suisse Group AG shares (Group shares) issued as of the date of the notified transaction. No further disclosure notification was received from The Olayan Group relating to holdings of registered Group shares in 2013.

In a disclosure notification that the Group parent company published on October 31, 2013, the Group parent company was notified that as of October 23, 2013, Qatar Investment Authority, through its registered entity Qatar Holding LLC, held 82.0 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Qatar Investment Authority relating to holdings of registered Group shares in 2013.

In a disclosure notification that the Group parent company published on November 9, 2013, the Group parent company was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2013.

## 12 Shareholder's equity

| | 2013 | 2012 |
|---|---|---|
| **Shareholder's equity (CHF million)** | | |
| Share and participation capital | 4,400 | 4,400 |
| General reserves | 6,644 | 5,543 |
| Reserves from capital contributions | 22,185 [1] | 18,387 [1] |
| General legal reserves | 28,829 | 23,930 |
| Other reserves | 610 | 610 |
| Retained earnings | 5,169 | 4,996 |
| of which carried forward from previous year | 4,986 | 3,720 |
| of which net profit/(loss) | 183 | 1,276 |
| **Total shareholder's equity as of January 1** | **39,008** | **33,936** |
| Capital contribution | 4,468 [2] | 3,500 |
| Other changes | 0 | 1,399 [3] |
| Dividend | (10) | (10) |
| Net profit | 1,066 | 183 |
| **Total shareholder's equity as of December 31 (before profit allocation)** | **44,532** | **39,008** |
| Share and participation capital | 4,400 | 4,400 |
| General reserves | 6,678 | 6,644 |
| Reserves from capital contributions | 26,619 [1] | 22,185 [1] |
| General legal reserves | 33,297 | 28,829 |
| Other reserves | 610 | 610 |
| Retained earnings | 6,225 | 5,169 |
| of which carried forward from previous year | 5,159 | 4,986 |
| of which net profit | 1,066 | 183 |
| **Total shareholder's equity as of December 31 (before profit allocation)** | **44,532** | **39,008** |

[1] Subject to approval by the Swiss Federal Tax Administration.
[2] Includes a contribution in kind of preferred shares in Credit Suisse Holdings (USA), Inc. from Credit Suisse Group AG to the Bank parent company in the amount of CHF 3,578 million.
[3] Substantially all related to Clariden Leu integration.

## 13 Amounts receivable from and payable to affiliated companies and loans to members of the Bank parent company's governing bodies

| end of | 2013 | 2012 |
|---|---|---|
| **Amounts receivable from and amounts payable to affiliated companies and loans to members of the Bank parent company's governing bodies (CHF million)** | | |
| Amounts receivable from affiliated companies | 5,547 | 6,341 |
| Amounts payable to affiliated companies | 1,846 | 2,917 |
| Loans to members of the Bank parent company's governing bodies | 65 | 49 |

## 14 Significant transactions with related parties

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

## 15 Fire insurance value of tangible fixed assets

| end of | 2013 | 2012 |
|---|---|---|
| **Fire insurance value of tangible fixed assets (CHF million)** | | |
| Real estate | 2,256 | 2,445 |
| Other fixed assets | 245 | 328 |

## 16 Liabilities for future payments in connection with operating leases

| end of | 2013 | 2012 |
|---|---|---|
| **Liabilities for future payments in connection with operating leases (CHF million)** | | |
| Total | 2,113 | 2,343 |

## 17 Fiduciary transactions

| end of | 2013 | 2012 |
|---|---|---|
| **Fiduciary transactions (CHF million)** | | |
| Fiduciary placements with third-party institutions | 5,089 | 5,749 |
| Fiduciary placements with affiliated and associated banks | 0 | 61 |
| **Total fiduciary transactions** | **5,089** | **5,810** |

## 18 Number of employees

| end of | 2013 | 2012 |
|---|---|---|
| **Number of employees (full-time equivalents)** | | |
| Switzerland | 17,100 | 18,400 |
| Abroad | 4,400 | 4,800 |
| **Total number of employees** | **21,500** | **23,200** |

## 19 Foreign currency translation rates

| | End of | | Average in | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| 1 USD / 1 CHF | 0.89 | 0.92 | 0.93 | 0.93 |
| 1 EUR / 1 CHF | 1.23 | 1.21 | 1.23 | 1.20 |
| 1 GBP / 1 CHF | 1.47 | 1.48 | 1.45 | 1.48 |
| 100 JPY / 1 CHF | 0.85 | 1.06 | 0.95 | 1.17 |

## 20 Outsourcing of services

Where the outsourcing of services through agreements with external service providers is considered significant under the terms of FINMA Circular 2008/7 “Outsourcing banks” those agreements comply with all regulatory requirements with respect to business and banking confidentiality, data protection and customer information. At the Bank, outsourcing of services is in compliance with Circular 2008/7.

## 21 Risk assessment

▸ Refer to “Note 39 – Risk assessment” in VII – Consolidated financial statements – Credit Suisse (Bank) for information on the Bank parent company’s risk assessment in accordance with the Swiss Code of Obligations.

# Proposed appropriation of retained earnings

## Proposed appropriation of retained earnings

| end of | **2013** |
|---|---|
| **Retained earnings (CHF million)** | |
| Retained earnings carried forward | 5,159 |
| Net profit | 1,066 |
| **Retained earnings available for appropriation** | **6,225** |
| Dividend | 10 |
| To be carried forward | 6,215 |
| **Total** | **6,225** |

# IX

## Additional information

# Statistical information

## STATISTICAL INFORMATION – GROUP

Set forth below is statistical information for the Group required under the US Securities and Exchange Commission's (SEC) specialized industry guide for bank holding companies – Industry Guide 3. Certain reclassifications have been made to the prior year's statistical information to conform to the current year's presentation. The tables are based on information in *V – Consolidated financial statements – Credit Suisse Group*.

### Average balances and interest rates

| | | | **2013** | | | 2012 | | | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| in | Average balance | Interest income | Average rate | Average balance | Interest income | Average rate | Average balance | Interest income | Average rate |
| **Assets (CHF million, except where indicated)** | | | | | | | | | |
| Cash and due from banks | | | | | | | | | |
| Switzerland | 348 | 5 | 1.44% | 432 | 3 | 0.69% | 553 | 5 | 0.90% |
| Foreign | 37,570 | 185 | 0.49% | 57,142 | 241 | 0.42% | 60,520 | 304 | 0.50% |
| Interest-bearing deposits with banks | | | | | | | | | |
| Switzerland | 9 | 0 | 0.00% | 18 | 0 | 0.00% | 44 | 0 | 0.00% |
| Foreign | 1,608 | 2 | 0.12% | 2,336 | 14 | 0.60% | 1,912 | 24 | 1.26% |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions [1] | | | | | | | | | |
| Switzerland | 1,958 | 20 | 1.02% | 2,382 | 33 | 1.39% | 4,312 | 46 | 1.07% |
| Foreign | 173,651 | 2,496 | 1.44% | 216,504 | 2,907 | 1.34% | 211,031 | 3,219 | 1.53% |
| Trading assets | | | | | | | | | |
| Switzerland | 1,759 | 106 | 6.03% | 2,740 | 159 | 5.80% | 5,143 | 161 | 3.13% |
| Foreign | 229,690 | 9,951 | 4.33% | 258,069 | 11,786 | 4.57% | 261,510 | 11,534 | 4.41% |
| Investment securities | | | | | | | | | |
| Switzerland | 1,730 | 18 | 1.04% | 2,061 | 20 | 0.97% | 1,770 | 25 | 1.41% |
| Foreign | 1,509 | 27 | 1.79% | 2,435 | 45 | 1.85% | 4,042 | 72 | 1.78% |
| Loans | | | | | | | | | |
| Switzerland | 148,356 | 2,808 | 1.89% | 145,061 | 2,866 | 1.98% | 139,034 | 2,973 | 2.14% |
| Foreign | 98,723 | 2,035 | 2.06% | 93,740 | 2,025 | 2.16% | 86,131 | 1,942 | 2.25% |
| Other interest-earning assets | | | | | | | | | |
| Switzerland | 2,091 | 50 | 2.39% | 2,632 | 25 | 0.95% | 3,714 | 29 | 0.78% |
| Foreign | 107,748 | 1,853 | 1.72% | 114,733 | 1,966 | 1.71% | 108,693 | 2,642 | 2.43% |
| **Interest-earning assets** | **806,750** | **19,556** | 2.42% | **900,285** | **22,090** | 2.45% | **888,409** | **22,976** | 2.59% |
| Specific allowance for losses | (3,365) | | | (3,523) | | | (2,963) | | |
| Non-interest-earning assets | 187,943 | | | 228,408 | | | 217,913 | | |
| **Total assets** | **991,328** | | | **1,125,170** | | | **1,103,359** | | |
| Percentage of assets attributable to foreign activities | 81.41% | | | 84.08% | | | 83.07% | | |

Average balances and interest rates exclude discontinued operations.

[1] Average balances of central bank funds sold, securities purchased under resale agreements and securities borrowing transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest income excludes the impact of ASC Topic 210 – Balance sheet.

## Average balances and interest rates (continued)

| in | 2013 Average balance | 2013 Interest expense | 2013 Average rate | 2012 Average balance | 2012 Interest expense | 2012 Average rate | 2011 Average balance | 2011 Interest expense | 2011 Average rate |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities (CHF million, except where indicated)** | | | | | | | | | |
| Deposits of banks | | | | | | | | | |
| Switzerland | 2,081 | 5 | 0.24% | 2,655 | 12 | 0.45% | 3,405 | 21 | 0.62% |
| Foreign | 22,948 | 126 | 0.55% | 33,579 | 244 | 0.73% | 33,885 | 329 | 0.97% |
| Deposits of non-banks | | | | | | | | | |
| Switzerland | 200,659 | 369 | 0.18% | 188,414 | 494 | 0.26% | 136,067 | 529 | 0.39% |
| Foreign | 115,327 | 478 | 0.41% | 112,315 | 611 | 0.54% | 144,143 | 834 | 0.58% |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions [1] | | | | | | | | | |
| Switzerland | 2,893 | 51 | 1.76% | 3,433 | 73 | 2.13% | 4,406 | 76 | 1.72% |
| Foreign | 109,583 | 1,104 | 1.01% | 178,325 | 1,603 | 0.90% | 152,065 | 1,545 | 1.02% |
| Trading liabilities | | | | | | | | | |
| Switzerland | 545 | 94 | 17.25% | 689 | 73 | 10.60% | 1,254 | 47 | 3.75% |
| Foreign | 61,401 | 4,989 | 8.13% | 78,744 | 6,760 | 8.58% | 89,353 | 7,078 | 7.92% |
| Short-term borrowings | | | | | | | | | |
| Switzerland | 476 | 0 | 0.00% | 1,188 | (3) | -0.25% | 2,066 | (12) | -0.58% |
| Foreign | 21,005 | 132 | 0.63% | 21,912 | 188 | 0.86% | 22,170 | 81 | 0.37% |
| Long-term debt | | | | | | | | | |
| Switzerland | 20,051 | 371 | 1.85% | 20,058 | 326 | 1.63% | 19,059 | 334 | 1.75% |
| Foreign | 123,153 | 3,491 | 2.83% | 142,842 | 4,320 | 3.02% | 156,288 | 5,330 | 3.41% |
| Other interest-bearing liabilities | | | | | | | | | |
| Switzerland | 1,424 | 1 | 0.07% | 1,245 | 2 | 0.16% | 2,563 | (18) | -0.70% |
| Foreign | 111,583 | 230 | 0.21% | 111,798 | 244 | 0.22% | 98,037 | 376 | 0.38% |
| **Interest-bearing liabilities** | **793,129** | **11,441** | 1.44% | **897,197** | **14,947** | 1.67% | **864,761** | **16,550** | 1.91% |
| Non-interest-bearing liabilities | 157,445 | | | 193,227 | | | 206,100 | | |
| **Total liabilities** | **950,574** | | | **1,090,424** | | | **1,070,861** | | |
| Shareholders' equity | 40,754 | | | 34,746 | | | 32,498 | | |
| **Total liabilities and shareholders' equity** | **991,328** | | | **1,125,170** | | | **1,103,359** | | |
| Percentage of liabilities attributable to foreign activities | 75.15% | | | 78.70% | | | 82.82% | | |

Average balances and interest rates exclude discontinued operations.
[1] Average balances of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest expense excludes the impact of ASC Topic 210 – Balance sheet.

## Net interest income and interest rate spread

| in | 2013 Net interest income in CHF million | 2013 Interest rate spread in % | 2012 Net interest income in CHF million | 2012 Interest rate spread in % | 2011 Net interest income in CHF million | 2011 Interest rate spread in % |
|---|---|---|---|---|---|---|
| **Net interest income and interest rate spread** | | | | | | |
| Switzerland | 2,116 | 1.50 | 2,129 | 1.60 | 2,262 | 1.50 |
| Foreign | 5,999 | 0.60 | 5,014 | 0.40 | 4,164 | 0.50 |
| **Total net** | **8,115** | **1.00** | **7,143** | **0.80** | **6,426** | **0.70** |

The average rates earned and paid on related assets and liabilities can fluctuate within wide ranges and are influenced by several key factors. The most significant factor is changes in global interest rates. Additional factors include changes in the geographic and product mix of the Group's business, and foreign exchange rate movements between the Swiss franc and the currency of the underlying individual assets and liabilities.

## Selected margin information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Selected margin information (average rate in %)** | | | |
| Switzerland | 1.35 | 1.37 | 1.46 |
| Foreign | 0.92 | 0.67 | 0.57 |
| **Net interest margin** | **1.01** | **0.79** | **0.72** |

The US Federal Reserve set the federal funds rate, which was a target band of 0.00% to 0.25% throughout 2013.

The Swiss National Bank set the three-month Swiss franc London Interbank Offered Rate, which was 0.0% to 0.25% throughout 2013.

The European Central Bank set the fixed rate tenders, which stood at 0.25% at the end of 2013.

The Bank of England set the bank rate at 0.50% in early 2009 and it remained at this level throughout 2013.

## Analysis of changes in net interest income

| | 2013 vs 2012 | | | 2012 vs 2011 | | |
|---|---|---|---|---|---|---|
| | Increase/(decrease) due to changes in | | | Increase/(decrease) due to changes in | | |
| in | Average volume | Average rate | **Net change** | Average volume | Average rate | **Net change** |
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | | | | | | |
| Switzerland | (1) | 3 | 2 | (1) | (1) | (2) |
| Foreign | (82) | 26 | (56) | (17) | (46) | (63) |
| Interest-bearing deposits with banks | | | | | | |
| Switzerland | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | (4) | (8) | (12) | 5 | (15) | (10) |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | | | | | | |
| Switzerland | (6) | (7) | (13) | (21) | 8 | (13) |
| Foreign | (574) | 163 | (411) | 84 | (396) | (312) |
| Trading assets | | | | | | |
| Switzerland | (57) | 4 | (53) | (75) | 73 | (2) |
| Foreign | (1,297) | (538) | (1,835) | (152) | 404 | 252 |
| Investment securities | | | | | | |
| Switzerland | (3) | 1 | (2) | 4 | (9) | (5) |
| Foreign | (17) | (1) | (18) | (29) | 2 | (27) |
| Loans | | | | | | |
| Switzerland | 65 | (123) | (58) | 129 | (236) | (107) |
| Foreign | 108 | (98) | 10 | 171 | (88) | 83 |
| Other interest-earning assets | | | | | | |
| Switzerland | (5) | 30 | 25 | (8) | 4 | (4) |
| Foreign | (119) | 6 | (113) | 147 | (823) | (676) |
| **Interest-earning assets** | | | | | | |
| Switzerland | (7) | (92) | (99) | 28 | (161) | (133) |
| Foreign | (1,985) | (450) | (2,435) | 209 | (962) | (753) |
| **Change in interest income** | **(1,992)** | **(542)** | **(2,534)** | **237** | **(1,123)** | **(886)** |

Average balances and interest rates exclude discontinued operations.

## Analysis of changes in net interest income (continued)

| | 2013 vs 2012 | | | 2012 vs 2011 | | |
|---|---|---|---|---|---|---|
| | Increase/(decrease) due to changes in | | | Increase/(decrease) due to changes in | | |
| in | Average volume | Average rate | **Net change** | Average volume | Average rate | **Net change** |
| **Liabilities (CHF million)** | | | | | | |
| Deposits of banks | | | | | | |
| Switzerland | (3) | (4) | (7) | (5) | (4) | (9) |
| Foreign | (78) | (40) | (118) | (3) | (82) | (85) |
| Deposits of non-banks | | | | | | |
| Switzerland | 32 | (157) | (125) | 204 | (239) | (35) |
| Foreign | 16 | (149) | (133) | (185) | (38) | (223) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | | | | | | |
| Switzerland | (12) | (10) | (22) | (17) | 14 | (3) |
| Foreign | (619) | 120 | (499) | 268 | (210) | 58 |
| Trading liabilities | | | | | | |
| Switzerland | (15) | 36 | 21 | (21) | 47 | 26 |
| Foreign | (1,488) | (283) | (1,771) | (840) | 522 | (318) |
| Short-term borrowings | | | | | | |
| Switzerland | 2 | 1 | 3 | 5 | 4 | 9 |
| Foreign | (8) | (48) | (56) | (1) | 108 | 107 |
| Long-term debt | | | | | | |
| Switzerland | 0 | 45 | 45 | 17 | (25) | (8) |
| Foreign | (595) | (234) | (829) | (459) | (551) | (1,010) |
| Other interest-bearing liabilities | | | | | | |
| Switzerland | 0 | (1) | (1) | 9 | 11 | 20 |
| Foreign | 0 | (14) | (14) | 52 | (184) | (132) |
| **Interest-bearing liabilities** | | | | | | |
| Switzerland | 4 | (90) | (86) | 192 | (192) | 0 |
| Foreign | (2,772) | (648) | (3,420) | (1,168) | (435) | (1,603) |
| **Change in interest expense** | **(2,768)** | **(738)** | **(3,506)** | **(976)** | **(627)** | **(1,603)** |
| **Change in interest income** | | | | | | |
| Switzerland | (11) | (2) | (13) | (164) | 31 | (133) |
| Foreign | 787 | 198 | 985 | 1,377 | (527) | 850 |
| **Total change in net interest income** | **776** | **196** | **972** | **1,213** | **(496)** | **717** |

Average balances and interest rates exclude discontinued operations.

## Carrying value of financial investments

| end of | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Carrying value of financial investments (CHF million)** | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 402 | 483 | 348 |
| Debt securities issued by foreign governments | 1,388 | 1,605 | 3,322 |
| Corporate debt securities | 606 | 845 | 791 |
| Collateralized debt obligations | 490 | 470 | 607 |
| **Total debt securities** | **2,886** | **3,403** | **5,068** |

As of December 31, 2012, no aggregate investment in debt securities of a specific counterparty was in excess of 10% of consolidated shareholders' equity.

## Maturities and weighted-average yields of debt securities included in financial investments

| | Within 1 year | | 1 to 5 years | | 5 to 10 years | | Over 10 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of 2013 | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % | Amount in CHF million | Yield in % |
| **Debt securities** | | | | | | | | | | |
| Debt securities issued by the Swiss federal, cantonal or local governmental entities | 18 | 2.39 | 92 | 2.28 | 210 | 1.83 | 69 | 1.45 | 389 | 1.90 |
| Debt securities issued by foreign governments | 134 | 3.22 | 1,156 | 2.02 | 40 | 3.15 | 20 | 1.47 | 1,350 | 2.16 |
| Corporate debt securities | 341 | 0.60 | 224 | 3.07 | 25 | 2.38 | 0 | n/a | 590 | 1.61 |
| Collateralized debt obligations | 50 | 1.94 | 230 | 1.56 | 200 | 2.21 | 0 | n/a | 480 | 1.87 |
| **Total debt securities** | **543** | 1.43 | **1,702** | 2.11 | **475** | 2.13 | **89** | 1.46 | **2,809** | 1.96 |

Since substantially all investment securities are taxable securities, the yields presented above are on a tax-equivalent basis.
The values above are based upon amortized cost, whereas certain financial investments are carried at fair value in the consolidated balance sheets.

## Details of the loan portfolio

| end of | 2013 | 2012 | 2011 | 2010 |
| --- | --- | --- | --- | --- |
| **Loan portfolio (CHF million, except where indicated)** | | | | |
| Mortgages | 92,418 | 89,733 | 86,514 | 83,228 |
| Loans collateralized by securities | 3,403 | 3,935 | 4,205 | 4,495 |
| Consumer finance | 4,397 | 4,502 | 4,598 | 4,088 |
| Consumer | 100,218 | 98,170 | 95,317 | 91,811 |
| Real estate | 24,715 | 23,717 | 21,971 | 20,071 |
| Commercial and industrial loans | 21,964 | 24,505 | 24,032 | 21,835 |
| Financial institutions | 4,016 | 3,718 | 4,306 | 4,279 |
| Governments and public institutions | 1,079 | 1,116 | 1,111 | 993 |
| Corporate & institutional | 51,774 | 53,056 | 51,420 | 47,178 |
| **Switzerland** | **151,992** | **151,226** | **146,737** | **138,989** |
| Mortgages | 2,560 | 2,139 | 1,741 | 1,397 |
| Loans collateralized by securities | 28,162 | 23,428 | 22,256 | 20,057 |
| Consumer finance | 1,541 | 2,399 | 2,097 | 1,620 |
| Consumer | 32,263 | 27,966 | 26,094 | 23,074 |
| Real estate [1] | 2,597 | 2,084 | 1,951 | 1,858 |
| Commercial and industrial loans [1] | 41,370 | 38,523 | 36,182 | 32,889 |
| Financial institutions [1] | 17,824 | 22,184 | 22,406 | 22,001 |
| Governments and public institutions [1] | 1,968 | 1,221 | 987 | 1,080 |
| Corporate & institutional | 63,759 | 64,012 | 61,526 | 57,828 |
| **Foreign** | **96,022** | **91,978** | **87,620** | **80,902** |
| **Gross loans** | **248,014** | **243,204** | **234,357** | **219,891** |
| of which held at amortized cost | 228,557 | 223,204 | 213,663 | 201,339 |
| of which held at fair value | 19,457 | 20,000 | 20,694 | 18,552 |
| Net (unearned income)/deferred expenses | (91) | (59) | (34) | (32) |
| Allowance for loan losses | (869) | (922) | (910) | (1,017) |
| **Net loans** | **247,054** | **242,223** | **233,413** | **218,842** |
| Percentage of allowance for loan losses [2] | 0.4% | 0.4% | 0.4% | 0.5% |

[1] Prior periods have been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.
[2] Calculated based on net loans which are not carried at fair value.

## Details of the loan portfolio (continued)

| end of | 2009 |
|---|---|
| **Loan portfolio (CHF million, except where indicated)** | |
| Banks | 95 |
| Commercial | 43,893 |
| Consumer | 89,045 |
| Public authorities | 1,036 |
| Lease financings | 2,620 |
| **Switzerland** | **136,689** |
| Banks | 7,836 |
| Commercial | 69,036 |
| Consumer | 19,765 |
| Public authorities | 4,161 |
| Lease financings | 1,113 |
| **Foreign** | **101,911** |
| **Gross loans** | **238,600** |
| of which held at amortized cost | 202,354 |
| of which held at fair value | 36,246 |
| Net (unearned income)/deferred expenses | (25) |
| Allowance for loan losses | (1,395) |
| **Net loans** | **237,180** |
| Percentage of allowance for loan losses [1] | 0.7% |

[1] Calculated based on net loans which are not carried at fair value.

## Loan portfolio by industry

| end of | **2013** | 2012 |
|---|---|---|
| **Loan portfolio by industry (CHF million)** | | |
| Banks | 4,232 | 5,518 |
| Other financial services | 17,608 | 20,384 |
| Real estate companies | 27,312 | 25,801 |
| Other services | 20,598 | 20,277 |
| Manufacturing | 9,343 | 9,554 |
| Wholesale and retail trade | 7,999 | 9,540 |
| Construction | 3,293 | 3,345 |
| Transportation | 13,608 | 12,163 |
| Health and social services | 1,814 | 1,834 |
| Hotels and restaurants | 1,253 | 1,182 |
| Agriculture and mining | 4,546 | 4,292 |
| Telecommunications | 319 | 554 |
| Governments, public institutions and non-profit organizations | 3,608 | 2,624 |
| Corporate & institutional | 115,533 | 117,068 |
| Consumer | 132,481 | 126,136 |
| **Gross loans** | **248,014** | **243,204** |
| Net (unearned income)/deferred expenses | (91) | (59) |
| Allowance for loan losses | (869) | (922) |
| **Net loans** | **247,054** | **242,223** |

## Details of the loan portfolio by time remaining until contractual maturity by category

| end of 2013 | 1 year or less | 1 year to 5 years | After 5 years | Loans with no stated maturity [1] | Self-amortizing loans [2] | Total |
|---|---|---|---|---|---|---|
| **Loan portfolio (CHF million)** | | | | | | |
| Mortgages | 26,451 | 42,679 | 21,635 | 1,653 | 0 | 92,418 |
| Loans collateralized by securities | 2,458 | 680 | 74 | 191 | 0 | 3,403 |
| Consumer finance | 2,231 | 1,894 | 79 | 193 | 0 | 4,397 |
| Consumer | 31,140 | 45,253 | 21,788 | 2,037 | 0 | 100,218 |
| Real estate | 13,344 | 7,016 | 4,045 | 259 | 51 | 24,715 |
| Commercial and industrial loans | 11,306 | 4,349 | 2,036 | 2,111 | 2,162 | 21,964 |
| Financial institutions | 2,204 | 759 | 180 | 82 | 791 | 4,016 |
| Governments and public institutions | 561 | 315 | 133 | 61 | 9 | 1,079 |
| Corporate & institutional | 27,415 | 12,439 | 6,394 | 2,513 | 3,013 | 51,774 |
| **Switzerland** | **58,555** | **57,692** | **28,182** | **4,550** | **3,013** | **151,992** |
| Mortgages | 1,087 | 1,353 | 73 | 17 | 30 | 2,560 |
| Loans collateralized by securities | 22,294 | 2,666 | 1,756 | 1,446 | 0 | 28,162 |
| Consumer finance | 989 | 209 | 103 | 240 | 0 | 1,541 |
| Consumer | 24,370 | 4,228 | 1,932 | 1,703 | 30 | 32,263 |
| Real estate | 1,141 | 976 | 390 | 11 | 79 | 2,597 |
| Commercial and industrial loans | 24,313 | 9,605 | 2,453 | 1,141 | 3,858 | 41,370 |
| Financial institutions | 8,654 | 6,104 | 1,825 | 350 | 891 | 17,824 |
| Governments and public institutions | 184 | 710 | 209 | 3 | 862 | 1,968 |
| Corporate & institutional | 34,292 | 17,395 | 4,877 | 1,505 | 5,690 | 63,759 |
| **Foreign** | **58,662** | **21,623** | **6,809** | **3,208** | **5,720** | **96,022** |
| **Gross loans** | **117,217** | **79,315** | **34,991** | **7,758** | **8,733** | **248,014** |
| of which fixed rate | 105,061 | 64,046 | 31,656 | 0 | 3,181 | 203,944 |
| of which variable rate | 12,156 | 15,269 | 3,335 | 7,758 | 5,552 | 44,070 |
| Net (unearned income)/deferred expenses | | | | | | (91) |
| Allowance for loan losses | | | | | | (869) |
| **Net loans** | | | | | | **247,054** |

[1] Loans with no stated maturity include primarily certain loan products within Switzerland without a stated maturity within the original loan agreement.
[2] Self-amortizing loans include loans with monthly or quarterly interest and principal payments and are primarily related to lease financings.

## Non-performing and non-interest-earning loans

| | | | | | | Interest income which would have been recognized | | Interest income which was recognized | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2013** | 2012 | 2011 | 2010 | 2009 | **2013** | 2012 | **2013** | 2012 |
| **Non-performing and non-interest-earning loans (CHF million)** | | | | | | | | | |
| Switzerland | 378 | 409 | 427 | 463 | 518 | 18 | 18 | 4 | 2 |
| Foreign | 484 | 450 | 331 | 498 | 779 | 31 | 23 | 5 | 6 |
| **Non-performing loans** [1] | **862** | **859** | **758** | **961** | **1,297** | **49** | **41** | **9** | **8** |
| Switzerland | 109 | 113 | 100 | 143 | 186 | 8 | 8 | 0 | 0 |
| Foreign | 172 | 200 | 162 | 197 | 150 | 11 | 12 | 0 | 0 |
| **Non-interest-earning loans** [1] | **281** | **313** | **262** | **340** | **336** | **19** | **20** | **0** | **0** |
| **Total non-performing and non-interest-earning loans** | **1,143** | **1,172** | **1,020** | **1,301** | **1,633** | **68** | **61** | **9** | **8** |

[1] Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for a definition of these terms.

## Potential problem loans

| end of | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Potential problem loans (CHF million)** | | | | | |
| Switzerland | 115 | 181 | 323 | 222 | 277 |
| Foreign | 225 | 346 | 357 | 288 | 381 |
| **Total potential problem loans** | **340** | **527** | **680** | **510** | **658** |

## Restructured loans

| | | | | | | Interest income which would have been recognized | | Interest income which was recognized | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **2013** | 2012 | 2011 | 2010 | 2009 | **2013** | 2012 | **2013** | 2012 |
| **Restructured loans (CHF million)** | | | | | | | | | |
| Switzerland | 6 | 0 | 4 | 4 | 0 | 0 | 0 | 0 | 0 |
| Foreign | 0 | 30 | 14 | 48 | 6 | 0 | 4 | 0 | 4 |
| **Total restructured loans** | **6** | **30** | **18** | **52** | **6** | **0** | **4** | **0** | **4** |

## Movements in the allowance for loan losses

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Allowance for loan losses (CHF million, except where indicated)** | | | |
| **Balance at beginning of period** | **922** | **910** | **1,017** |
| Allowances acquired/(deconsolidated) | (1) | (18) | 0 |
| **Change in scope of consolidation** | **(1)** | **(18)** | **0** |
| Switzerland | 50 | 87 | 51 |
| Foreign | 115 | 72 | 90 |
| **Net movements recognized in the consolidated statements of operations** | **165** | **159** | **141** |
| Mortgages | (6) | (7) | (10) |
| Loans collateralized by securities | (6) | (2) | (4) |
| Consumer finance | (96) | (75) | (79) |
| Consumer | (108) | (84) | (93) |
| Real estate | (5) | (1) | (9) |
| Commercial and industrial loans | (45) | (63) | (45) |
| Financial institutions | (1) | (1) | 0 |
| Corporate & institutional | (51) | (65) | (54) |
| Switzerland | (159) | (149) | (147) |
| Mortgages | (2) | (3) | (4) |
| Loans collateralized by securities | (2) | (7) | (15) |
| Consumer finance | (10) | (11) | (12) |
| Consumer | (14) | (21) | (31) |
| Real estate | 0 | (1) | 0 |
| Commercial and industrial loans | (103) | (14) | (116) |
| Financial institutions | (10) | (10) | (5) |
| Governments and public institutions | 0 | (6) | 0 |
| Corporate & institutional | (113) | (31) | (121) |
| Foreign | (127) | (52) | (152) |
| **Gross write-offs** | **(286)** | **(201)** | **(299)** |
| Consumer finance | 23 | 21 | 33 |
| Consumer | 23 | 21 | 33 |
| Commercial and industrial loans | 3 | 12 | 3 |
| Corporate & institutional | 3 | 12 | 3 |
| Switzerland | 26 | 33 | 36 |
| Consumer finance | 1 | 1 | 5 |
| Consumer | 1 | 1 | 5 |
| Commercial and industrial loans | 27 | 10 | 0 |
| Corporate & institutional | 27 | 10 | 0 |
| Foreign | 28 | 11 | 5 |
| **Recoveries** | **54** | **44** | **41** |
| **Net write-offs** | **(232)** | **(157)** | **(258)** |
| Provisions for interest | 26 | 29 | 14 |
| Foreign currency translation impact and other adjustments, net | (11) | (1) | (4) |
| **Balance at end of period** | **869** | **922** | **910** |
| Average loan balance | 247,079 | 238,801 | 225,165 |
| Ratio of net write-offs to average loans | 0.09% | 0.07% | 0.11% |

## Movements in the allowance for loan losses (continued)

| | 2010 | 2009 |
|---|---|---|
| **Allowance for loan losses (CHF million, except where indicated)** | | |
| **Balance at beginning of period** | **1,395** | **1,639** |
| Allowances acquired/(deconsolidated) | 0 | 0 |
| **Change in scope of consolidation** | **0** | **0** |
| Switzerland | (3) | 85 |
| Foreign | (90) | 230 |
| **Net movements recognized in the consolidated statements of operations** | **(93)** | **315** |
| Commercial | (64) | (63) |
| Consumer | (90) | (80) |
| Lease financings | (8) | (8) |
| Switzerland | (162) | (151) |
| Commercial | (109) | (503) |
| Consumer | (23) | (20) |
| Foreign | (132) | (523) |
| **Gross write-offs** | **(294)** | **(674)** |
| Commercial | 28 | 18 |
| Consumer | 15 | 23 |
| Lease financings | 1 | 1 |
| Switzerland | 44 | 42 |
| Commercial | 17 | 21 |
| Consumer | 1 | 0 |
| Lease financings | 1 | 0 |
| Foreign | 19 | 21 |
| **Recoveries** | **63** | **63** |
| **Net write-offs** | **(231)** | **(611)** |
| Provisions for interest | 2 | 43 |
| Foreign currency translation impact and other adjustments, net | (56) | 9 |
| **Balance at end of period** | **1,017** | **1,395** |
| Average loan balance | 227,874 | 241,892 |
| Ratio of net write-offs to average loans | 0.10% | 0.25% |

## Analysis of the allowance for loan losses by Switzerland, foreign and category

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| end of | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans |
| **Analysis of the allowance for loan losses** | | | | | | |
| Mortgages | 47 | 0.0% | 48 | 0.0% | 54 | 0.0% |
| Loans collateralized by securities | 2 | 0.0% | 3 | 0.0% | 11 | 0.0% |
| Consumer finance | 122 | 0.0% | 131 | 0.1% | 107 | 0.0% |
| Consumer | 171 | 0.1% | 182 | 0.1% | 172 | 0.1% |
| Real estate | 60 | 0.0% | 69 | 0.0% | 63 | 0.0% |
| Commercial and industrial loans | 166 | 0.1% | 200 | 0.1% | 230 | 0.1% |
| Financial institutions | 1 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| Corporate & institutional | 227 | 0.1% | 271 | 0.1% | 295 | 0.1% |
| **Switzerland** | **398** | **0.2%** | **453** | **0.2%** | **467** | **0.2%** |
| Mortgages | 9 | 0.0% | 12 | 0.0% | 14 | 0.0% |
| Loans collateralized by securities | 52 | 0.0% | 50 | 0.0% | 38 | 0.0% |
| Consumer finance | 35 | 0.0% | 44 | 0.0% | 65 | 0.0% |
| Consumer | 96 | 0.0% | 106 | 0.0% | 117 | 0.1% |
| Real estate | 5 | 0.0% | 5 | 0.0% | 8 | 0.0% |
| Commercial and industrial loans | 277 | 0.1% | 242 | 0.1% | 215 | 0.1% |
| Financial institutions | 93 | 0.0% | 116 | 0.1% | 97 | 0.0% |
| Governments and public institutions | 0 | 0.0% | 0 | 0.0% | 6 | 0.0% |
| Corporate & institutional | 375 | 0.2% | 363 | 0.2% | 326 | 0.1% |
| **Foreign** | **471** | **0.2%** | **469** | **0.2%** | **443** | **0.2%** |
| **Total allowance for loan losses** | **869** | **0.4%** | **922** | **0.4%** | **910** | **0.4%** |
| of which on principal | 778 | 0.3% | 842 | 0.4% | 837 | 0.4% |
| of which on interest | 91 | 0.0% | 80 | 0.0% | 73 | 0.0% |

Percentages may not add up due to rounding.

## Analysis of the allowance for loan losses by Switzerland, foreign and category (continued)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| end of | CHF million | % of allowance in each category to total loans | CHF million | % of allowance in each category to total loans |
| **Analysis of the allowance for loan losses** | | | | |
| Commercial | 348 | 0.2% | 445 | 0.2% |
| Consumer | 178 | 0.1% | 215 | 0.1% |
| Lease financings | 23 | 0.0% | 25 | 0.0% |
| **Switzerland** | **549** | **0.3%** | **685** | **0.3%** |
| Banks | 41 | 0.0% | 47 | 0.0% |
| Commercial | 320 | 0.1% | 549 | 0.2% |
| Consumer | 90 | 0.0% | 97 | 0.0% |
| Public authorities | 7 | 0.0% | 6 | 0.0% |
| Lease financings | 10 | 0.0% | 11 | 0.0% |
| **Foreign** | **468** | **0.2%** | **710** | **0.3%** |
| **Total allowance for loan losses** | **1,017** | **0.5%** | **1,395** | **0.6%** |
| of which on principal | 905 | 0.4% | 1,235 | 0.5% |
| of which on interest | 112 | 0.1% | 160 | 0.1% |

## Gross write-offs of loans by industry

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Gross write-offs of loans (CHF million)** | | | |
| Banks | 0 | 0 | 5 |
| Other financial services | 11 | 11 | 1 |
| Real estate companies | 5 | 2 | 9 |
| Other services | 18 | 15 | 12 |
| Manufacturing | 17 | 30 | 63 |
| Wholesale and retail trade | 9 | 13 | 25 |
| Construction | 6 | 4 | 11 |
| Transportation | 57 | 8 | 4 |
| Health and social services | 3 | 1 | 0 |
| Hotels and restaurants | 1 | 4 | 3 |
| Agriculture and mining | 35 | 0 | 42 |
| Telecommunications | 1 | 1 | 0 |
| Governments, public institutions and non-profit organizations | 0 | 7 | 0 |
| Corporate & institutional | 163 | 96 | 175 |
| Consumer | 123 | 105 | 124 |
| **Total gross write-offs** | **286** | **201** | **299** |

## Gross write-offs of loans by industry (continued)

| in | 2010 | 2009 |
|---|---|---|
| **Gross write-offs of loans by industry (CHF million)** | | |
| Financial services | 21 | 274 |
| Real estate companies | 24 | 151 |
| Other services | 3 | 15 |
| Manufacturing | 85 | 41 |
| Wholesale and retail trade | 22 | 9 |
| Construction | 4 | 62 |
| Transportation | 5 | 4 |
| Health and social services | 4 | 0 |
| Hotels and restaurants | 2 | 4 |
| Agriculture and mining | 0 | 0 |
| Telecommunications | 3 | 6 |
| Non-profit and international organizations | 0 | 0 |
| **Commercial** | **173** | **566** |
| Consumer | 113 | 100 |
| Lease financings | 8 | 8 |
| **Total gross write-offs** | **294** | **674** |

## Cross-border outstandings

| end of | Banks | Private | Public | **Subtotal** | Net local country assets over liabilities | Commit-ments | **Total** |
|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | |
| United States | 5,373 | 36,815 | 9,898 | 52,086 | 68,444 | 67,393 | 187,923 |
| France | 4,048 | 6,331 | 6,187 | 16,566 | 636 | 13,992 | 31,194 |
| Germany | 4,226 | 10,870 | 8,528 | 23,624 | 0 | 6,213 | 29,837 |
| United Kingdom | 7,181 | 7,777 | 280 | 15,238 | 0 | 13,238 | 28,476 |
| Japan | 1,703 | 5,907 | 829 | 8,439 | 6,908 | 4,178 | 19,525 |
| Luxembourg | 3,659 | 11,035 | 3,545 | 18,239 | 0 | 1,280 | 19,519 |
| Cayman Islands | 627 | 16,078 | 0 | 16,705 | 0 | 1,267 | 17,972 |
| The Netherlands | 1,721 | 5,990 | 1,580 | 9,291 | 0 | 2,902 | 12,193 |
| Italy | 790 | 2,783 | 6,811 | 10,384 | 0 | 1,402 | 11,786 |
| Canada | 3,263 | 3,268 | 779 | 7,310 | 976 | 1,790 | 10,076 |
| Brazil | 916 | 3,143 | 1,630 | 5,689 | 4,035 | 330 | 10,054 |
| Hong Kong | 510 | 3,330 | 1 | 3,841 | 4,305 | 592 | 8,738 |
| Australia | 1,314 | 1,630 | 62 | 3,006 | 3,675 | 1,382 | 8,063 |
| Spain | 2,449 | 2,923 | 1,002 | 6,374 | 341 | 1,250 | 7,965 |
| Ireland | 1,508 | 4,581 | 3 | 6,092 | 13 | 1,423 | 7,528 |
| Mexico | 578 | 2,445 | 2,287 | 5,310 | 1,382 | 161 | 6,853 |
| South Korea | 468 | 3,509 | 889 | 4,866 | 1,465 | 231 | 6,562 |
| **2012 (CHF million)** | | | | | | | |
| United States | 11,217 | 49,107 | 8,667 | 68,991 | 41,925 | 76,115 | 187,031 |
| United Kingdom | 5,166 | 5,946 | 81 | 11,193 | 14,198 | 36,600 | 61,991 |
| Cayman Islands | 310 | 24,097 | 0 | 24,407 | 0 | 901 | 25,308 |
| France | 3,734 | 11,426 | 2,662 | 17,822 | 72 | 6,875 | 24,769 |
| Germany | 6,541 | 6,576 | 6,481 | 19,598 | 0 | 4,135 | 23,733 |
| Brazil | 2,163 | 3,627 | 2,660 | 8,450 | 7,710 | 1,685 | 17,845 |
| Luxembourg | 2,150 | 8,779 | 1,805 | 12,734 | 3,552 | 624 | 16,910 |
| Japan | 5,764 | 2,816 | 1,557 | 10,137 | 1,151 | 4,098 | 15,386 |
| The Netherlands | 2,530 | 6,844 | 1,745 | 11,119 | 51 | 2,305 | 13,475 |
| Italy | 1,309 | 3,427 | 5,700 | 10,436 | 0 | 1,025 | 11,461 |
| Hong Kong | 626 | 1,628 | 1 | 2,255 | 6,814 | 196 | 9,265 |
| Canada | 1,519 | 3,833 | 852 | 6,204 | 0 | 1,730 | 7,934 |
| Singapore | 268 | 1,526 | 124 | 1,918 | 0 | 5,359 | 7,277 |
| Russian Federation | 1,258 | 1,579 | 4,177 | 7,014 | 158 | 47 | 7,219 |
| Ireland | 800 | 5,165 | 60 | 6,025 | 0 | 992 | 7,017 |
| **2011 (CHF million)** | | | | | | | |
| United States | 12,015 | 51,736 | 6,868 | 70,619 | 11,238 | 59,548 | 141,405 |
| United Kingdom | 4,673 | 4,666 | 49 | 9,388 | 23,693 | 28,383 | 61,464 |
| Luxembourg | 2,307 | 9,072 | 1,180 | 12,559 | 20,129 | 1,223 | 33,911 |
| Germany | 9,696 | 8,500 | 4,682 | 22,878 | 699 | 4,877 | 28,454 |
| France | 7,647 | 12,367 | 3,384 | 23,398 | 100 | 3,349 | 26,847 |
| Cayman Islands | 231 | 22,587 | 0 | 22,818 | 67 | 808 | 23,693 |
| Japan | 6,642 | 3,827 | 605 | 11,074 | 4,377 | 4,969 | 20,420 |
| The Netherlands | 3,338 | 6,936 | 2,464 | 12,738 | 6 | 2,632 | 15,376 |
| Brazil | 1,715 | 3,217 | 2,095 | 7,027 | 7,445 | 264 | 14,736 |
| Canada | 1,766 | 6,520 | 1,061 | 9,347 | 0 | 1,456 | 10,803 |
| Italy | 1,687 | 2,287 | 5,251 | 9,225 | 0 | 471 | 9,696 |

Cross-border outstandings represent net claims against non-local country counterparties for countries where the aggregate amount outstanding to borrowers exceeds 0.75% of total assets. Monetary assets are loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary asset with a fixed exchange value for cash. To the extent local currency outstandings are hedged or funded by local currency borrowings, such amounts are excluded from cross-border outstandings.

## Deposits in Switzerland and foreign offices

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate |
| **Deposits (CHF million, except where indicated)** | | | | | | | | | |
| Non-interest-bearing demand | 6,441 | – | – | 9,344 | – | – | 11,813 | – | – |
| Interest-bearing demand | 137,499 | 117 | 0.1% | 128,172 | 160 | 0.1% | 105,590 | 244 | 0.2% |
| Savings deposits | 62,067 | 236 | 0.4% | 58,078 | 296 | 0.5% | 54,424 | 312 | 0.6% |
| Time deposits | 12,490 | 62 | 0.5% | 13,325 | 76 | 0.6% | 19,116 | 95 | 0.5% |
| **Switzerland** | **218,497** | **415** | **0.2%** | **208,919** | **532** | **0.3%** | **190,943** | **651** | **0.3%** |
| Non-interest-bearing demand | 4,723 | – | – | 4,600 | – | – | 3,655 | – | – |
| Interest-bearing demand | 26,231 | 30 | 0.1% | 21,713 | 24 | 0.1% | 18,921 | 41 | 0.2% |
| Savings deposits | 32 | 0 | 0.0% | 41 | 0 | 0.0% | 34 | 0 | 0.0% |
| Time deposits | 102,696 | 533 | 0.5% | 115,634 | 797 | 0.7% | 119,415 | 1,002 | 0.8% |
| **Foreign** | **133,682** | **563** | **0.4%** | **141,988** | **821** | **0.6%** | **142,025** | **1,043** | **0.7%** |
| **Total deposits** | **352,179** | **978** | **0.3%** | **350,907** | **1,353** | **0.4%** | **332,968** | **1,694** | **0.5%** |

Deposits by foreign depositors in Swiss offices amounted to CHF 69.5 billion, CHF 68.2 billion and CHF 60.7 billion as of December 31, 2013, 2012 and 2011, respectively.

## Aggregate of individual time deposits in Switzerland and foreign offices

| in 2013 | Switzerland | Foreign | Total |
|---|---|---|---|
| **Time deposits (CHF million)** | | | |
| 3 months or less | – | 16,127 | 16,127 |
| Over 3 through 6 months | – | 10,815 | 10,815 |
| Over 6 through 12 months | – | 7,683 | 7,683 |
| Over 12 months | – | 1,709 | 1,709 |
| **Certificates of deposit** | **–** | **36,334** | **36,334** |
| 3 months or less | 8,559 | 55,060 | 63,619 |
| Over 3 through 6 months | 3,923 | 4,134 | 8,057 |
| Over 6 through 12 months | 2,236 | 2,063 | 4,299 |
| Over 12 months | 634 | 3,163 | 3,797 |
| **Other time deposits** | **15,352** | **64,420** | **79,772** |
| **Total time deposits** | **15,352** | **100,754** | **116,106** |

Balances shown are the Swiss franc equivalent of amounts greater than USD 100,000 together with their remaining maturities.

## Selected information on short-term borrowings

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions (CHF million)** | | | |
| Outstanding as of December 31 | 94,032 | 132,721 | 176,559 |
| Maximum amount outstanding at any month-end during the year | 150,092 | 219,447 | 176,559 |
| Approximate average amount outstanding during the year | 112,475 | 181,758 | 156,472 |
| Interest expense for the year ended December 31 | 1,156 | 1,677 | 1,621 |
| Approximate weighted-average interest rate during the year | 1.0% | 0.9% | 1.0% |
| Approximate weighted-average interest rate at year-end | 0.6% | 0.7% | 0.8% |
| **Commercial paper (CHF million)** | | | |
| Outstanding as of December 31 | 12,095 | 10,882 | 21,444 |
| Maximum amount outstanding at any month-end during the year | 16,967 | 18,144 | 21,444 |
| Approximate average amount outstanding during the year | 14,555 | 13,876 | 16,232 |
| Interest expense for the year ended December 31 | 52 | 54 | 52 |
| Approximate weighted-average interest rate during the year | 0.4% | 0.4% | 0.3% |
| Approximate weighted-average interest rate at year-end | 0.3% | 0.3% | 0.4% |
| **Other short-term borrowings (CHF million)** | | | |
| Outstanding as of December 31 | 8,097 | 7,759 | 4,671 |
| Maximum amount outstanding at any month-end during the year | 9,861 | 9,444 | 9,218 |
| Approximate average amount outstanding during the year | 6,926 | 9,224 | 8,004 |
| Interest expense for the year ended December 31 | 80 | 130 | 17 |
| Approximate weighted-average interest rate during the year | 1.2% | 1.4% | 0.2% |
| Approximate weighted-average interest rate at year-end | 1.2% | 1.7% | 1.2% |

Generally, original maturities of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are less than six months, commercial paper are less than six months and other short-term borrowings are one year or less.

### STATISTICAL INFORMATION – BANK

Statistical information for the Group is required under the SEC's specialized industry guide for bank holding companies – Industry Guide 3. Certain statistical information is also included in *VII – Consolidated financial statements – Credit Suisse (Bank)*, including *Notes 6 – Net interest income*, *15 – Investment securities, 17 – Loans, allowance for loan losses and credit quality, 22 – Deposits, 23 – Long-term debt, 30 – Derivatives and hedging activities, 31 – Guarantees and commitments and 33 – Financial instruments*. Except to the extent described below, such statistical information for the Bank is not materially different, either in absolute amount or in terms of trends, from such statistical information for the Group. The principal differences described below relate to the banking businesses of the Group that are not included in the Bank's consolidated financial statements and intercompany eliminations.

The short-term borrowings of the Bank and the Group may differ from period to period. As of December 31, 2013, 2012 and 2011, the Bank had short-term borrowings of CHF 20.2 billion, CHF 14.8 billion and CHF 26.1 billion compared to short-term borrowings of CHF 20.2 billion, CHF 18.6 billion and CHF 26.1 billion at the Group, respectively. The lower level of short-term borrowings at the Bank compared to the Group at year-end 2012 was related to the mandatory and contingent convertible securities issued by the Group.

In addition, certain elements of the Group's and the Bank's investment portfolio may differ from period to period. As of December 31, 2013, the carrying value of the Group's debt securities was CHF 2.9 billion compared to CHF 1.5 billion for the Bank. The higher value of debt securities at the Group compared to the Bank primarily related to debt securities issued by Swiss federal, cantonal or local governmental entities, foreign governments and corporates, and collateralized debt obligations held by Neue Aargauer Bank, principally for liquidity management purposes.

The Bank's loan portfolio constitutes substantially all of the Group's consolidated loan portfolio. As of December 31, 2013, 2012 and 2011, the Bank's total loans were CHF 231.2 billion, CHF 227.5 billion and CHF 219.4 billion or 93.6%, 93.9% and 94.0% of the Group's total loans of CHF 247.1 billion, CHF 242.2 billion and CHF 233.4 billion, respectively. Differences between the Bank and the Group in the composition and maturity profile of the loan portfolio, allowance for loan losses, write-offs and impaired loans as of December 31, 2013, December 31, 2012 and December 31, 2011 principally related to Neue Aargauer Bank and BANK-now, primarily in the Swiss consumer segment.

▸ Refer to "Note 17 – Loans, allowance for loan losses and credit quality" in VII – Consolidated financial statements – Credit Suisse (Bank) for additional information on the Bank's loan portfolio and related allowances.

## Ratio of earnings to fixed charges – Group

| in | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | 4,096 | 2,190 | 3,471 | 7,477 | 8,106 |
| Income from equity method investments | (251) | (160) | (138) | (164) | (56) |
| **Pre-tax earnings/(loss) from continuing operations** | **3,845** | **2,030** | **3,333** | **7,313** | **8,050** |
| Fixed charges: | | | | | |
| Interest expense | 11,441 | 14,947 | 16,550 | 18,980 | 18,367 |
| Interest portion of rentals [1] | 642 | 645 | 600 | 595 | 583 |
| Preferred dividend requirements | 236 | 231 | 216 | 162 | 131 |
| **Total fixed charges** | **12,319** | **15,823** | **17,366** | **19,737** | **19,081** |
| **Pre-tax earnings before fixed charges** | **16,164** | **17,853** | **20,699** | **27,050** | **27,131** |
| Noncontrolling interests | 639 | 336 | 837 | 822 | (313) |
| **Earnings before fixed charges and provision for income taxes** | **15,525** | **17,517** | **19,862** | **26,228** | **27,444** |
| **Ratio of earnings to fixed charges** | **1.26** | **1.11** | **1.14** | **1.33** | **1.44** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

## Ratio of earnings to fixed charges – Bank

| in | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Ratio of earnings to fixed charges (CHF million)** | | | | | |
| Income/(loss) from continuing operations before taxes, noncontrolling interests, extraordinary items and cumulative effect of accounting changes | 3,670 | 1,982 | 2,511 | 6,526 | 7,800 |
| Income from equity method investments | (240) | (146) | (134) | (148) | (31) |
| **Pre-tax earnings/(loss) from continuing operations** | **3,430** | **1,836** | **2,377** | **6,378** | **7,769** |
| Fixed charges: | | | | | |
| Interest expense | 11,306 | 14,734 | 16,404 | 18,783 | 18,118 |
| Interest portion of rentals [1] | 632 | 629 | 580 | 578 | 565 |
| Preferred dividend requirements | 236 | 231 | 216 | 162 | 131 |
| **Total fixed charges** | **12,174** | **15,594** | **17,200** | **19,523** | **18,814** |
| **Pre-tax earnings before fixed charges** | **15,604** | **17,430** | **19,577** | **25,901** | **26,583** |
| Noncontrolling interests | 860 | (600) | 901 | 802 | (697) |
| **Earnings before fixed charges and provision for income taxes** | **14,744** | **18,030** | **18,676** | **25,099** | **27,280** |
| **Ratio of earnings to fixed charges** | **1.21** | **1.16** | **1.09** | **1.29** | **1.45** |

[1] Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Other information

## EXCHANGE CONTROLS

There are no restrictions presently in force under our Articles of Association or Swiss law that limit the right of non-resident or foreign owners to hold our securities freely or, when entitled, to vote their securities freely. The Swiss federal government may from time to time impose sanctions, including exchange control restrictions, on particular countries, regimes, organizations or persons. A current list, in German, of such sanctions can be found at *www.seco-admin.ch*. Other than these sanctions, there are currently no Swiss exchange control laws or laws restricting the import or export of capital, including, but not limited to, the remittance of dividends, interest or other payments to non-resident holders of our securities.

## AMERICAN DEPOSITARY SHARES

Under Swiss law, holders of American Depositary Shares (ADS) are not shareholders and are not recorded in our share register. A nominee for the ADS depositary is the registered holder of the shares underlying the ADS. Rights of ADS holders to exercise voting rights, receive dividends and other matters are governed by the deposit agreement pursuant to which the ADS are issued. For further information relating to our ADS, see the Registration Statement on Form F-6 filed with the SEC. Subject to any applicable law to the contrary, with respect to ADS for which timely voting instructions are not received by the ADS depositary in relation to any proposed resolution or for which voting instructions are received by the ADS depositary but do not specify how the ADS depositary shall vote in relation to any proposed resolution, the ADS depositary shall, or shall instruct the nominee to, vote such shares underlying the ADS in favor of such resolution if it has been proposed by the Board of Directors or otherwise in accordance with the recommendation of the Board of Directors.

## TAXATION

The following summary contains a description of the principal Swiss and US federal income tax consequences of the purchase, ownership and disposition of our shares or ADS (Shares), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of Shares. In particular, the summary is directed only to holders that hold Shares as capital assets and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that actually or constructively own 10% or more of our voting stock, persons that hold Shares as a position in a “straddle” or “conversion” transaction, or as part of a “synthetic security” or other integrated financial transaction, or persons that have a “functional currency” other than the Swiss franc or US dollar.

This summary is based on the current tax laws of Switzerland and the US, including the current “Convention Between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income” (Treaty), the US Internal Revenue Code of 1986, as amended (IR Code), existing and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect.

This discussion does not generally address any aspects of US taxation other than federal income taxation or any aspects of Swiss taxation other than income and capital taxation. Prospective investors are urged to consult their tax advisors regarding the US federal, state and local, Swiss and other tax consequences of owning and disposing of Shares.

### Swiss taxation

#### Withholding tax on dividends and similar distributions

Dividends paid and other similar cash, in-kind taxable distributions made by us to a holder of Shares (including stock dividends) and taxable income resulting from partial liquidation as referred to below under “Capital gains tax realized on Shares” are subject to a federal withholding tax at a rate of 35%. The withholding tax will be withheld by us on the gross distributions and will be paid to the Swiss Federal Tax Administration. The repayment of nominal value of the Shares or repayment of capital contribution reserves (Kapitaleinlagen) is not subject to Swiss withholding tax.

##### Swiss recipients

Swiss resident individuals are generally entitled to a full refund or tax credit for the withholding tax if they are the beneficial owners of such distributions at the time the distribution is due and duly report the receipt thereof in the relevant Swiss income tax return. Swiss resident legal entities are generally entitled to a full refund for the withholding tax if they are the beneficial owners of such distributions at the time the distribution is due and duly book it as revenue in their profit and loss statement.

##### Non-resident recipients

The recipient of a taxable distribution who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a total or partial refund of the withholding tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the further conditions of such treaty are met. Holders of Shares not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time frame required for obtaining a refund) may differ from country to country. Holders of Shares not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchases, sales or other dispositions of Shares and the procedures for claiming a refund of the withholding tax.

### Residents of the US

A non-Swiss resident holder who is a resident of the US for purposes of the Treaty is eligible for a reduced rate of withholding tax on dividends equal to 15% of the dividend, provided that such holder: (i) qualifies for benefits under the Treaty; (ii) holds, directly or indirectly, less than 10% of our voting stock; and (iii) does not conduct business through a permanent establishment or fixed base in Switzerland to which Shares are attributable. Such an eligible US holder may apply for a refund of the amount of the withholding tax in excess of the 15% Treaty rate. The claim for refund must be filed on Swiss Tax Form 82 (82C for corporations; 82I for individuals; 82E for other entities), which may be obtained from any Swiss consulate general in the US or from the Federal Tax Administration of Switzerland at the address below, together with an instruction form. Four copies of the form must be duly completed, signed before a notary public of the US and sent to the Federal Tax Administration of Switzerland, Eigerstrasse 65, CH-3003, Bern, Switzerland. The form must be accompanied by suitable evidence of deduction of Swiss tax withheld at source, such as certificates of deduction, signed bank vouchers or credit slips. The form may be filed no later than December 31 of the third year following the calendar year in which the dividend became payable.

## Income and profit tax on dividends and similar distributions

### Individuals

An individual who is a Swiss resident for tax purposes, or who is a non-Swiss resident holding Shares as part of a Swiss business operation or Swiss permanent establishment, is required to report the receipt of taxable distributions received on the Shares in her or his relevant Swiss tax returns. An exemption from income tax applies with regard to distributions out of capital contribution reserves (Kapitaleinlagen).

### Legal entities

Legal entities resident in Switzerland and non-Swiss resident legal entities holding Shares as part of a Swiss permanent establishment are required to include taxable distributions (including capital repayments or distributions out of capital contribution reserves) received on the Shares in their income subject to Swiss corporate income tax. A Swiss corporation or co-operative or a non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment may, under certain circumstances, benefit from relief from taxation with respect to taxable distributions (Beteiligungsabzug).

### Non-resident recipients

Recipients of dividends and similar distributions on Shares who are neither residents of Switzerland for tax purposes nor holders of Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income tax in respect of such distributions.

## Capital gains tax realized on Shares

### Individuals

Swiss resident individuals who hold Shares as part of their private property generally are exempt from Swiss federal, cantonal and communal taxes with respect to capital gains realized upon the sale or other disposal of Shares, unless such individuals are qualified as security trading professionals for income tax purposes. Gains realized upon a repurchase of Shares by us for the purpose of a capital reduction are characterized as a partial liquidation of the company. In this case, the difference between the nominal value and the distributed capital contribution, if any, of the shares and their repurchase price qualifies as taxable income to Swiss resident individuals holding Shares as part of their private property. Individuals who are Swiss residents for tax purposes and who hold the Shares as business assets (including security trading professionals for income tax purposes), or who are non-Swiss residents holding Shares as part of a Swiss business operation or Swiss permanent establishment, are required to include capital gains realized upon the disposal of Shares in their income subject to Swiss income tax.

### Legal entities

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Shares as part of a Swiss permanent establishment are required to include capital gains realized upon the disposal of Shares in their income subject to Swiss corporate income tax.

### Non-resident individuals and legal entities

Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss income tax on gains realized upon the disposal of the Shares.

## Net worth and capital taxes

### Individuals

Individuals who are Swiss residents for tax purposes or who are non-Swiss residents holding Shares as part of a Swiss business operation or Swiss permanent establishment are required to include their Shares in their assets that are subject to cantonal and communal net worth taxes.

### Legal entities

Legal entities resident in Switzerland or non-Swiss resident legal entities holding Shares as part of a Swiss permanent establishment are required to include their Shares in their assets that are subject to cantonal and communal capital tax. In some cantons profit tax credits might be available for offsetting with the annual cantonal and communal capital tax.

### Non-resident individuals and legal entities

Individuals and legal entities which are not resident in Switzerland for tax purposes and do not hold Shares as part of a Swiss business operation or a Swiss permanent establishment are not subject to Swiss cantonal and communal net worth and capital taxes.

#### Stamp duties upon transfer of securities

The transfer of Shares, whether by Swiss residents or non-resident holders, may be subject to a Swiss securities transfer duty of 0.15% (0.075% for each party to a transaction) of the transaction value if the transfer occurs through or with a Swiss bank or other Swiss or foreign securities dealer as defined in the Swiss Federal Stamp Duty Act. Newly issued shares distributed by way of a stock or scrip dividend are not subject to the Swiss securities transfer duty. The stamp duty is paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this stamp duty, the sale of Shares by or through a member of the SIX Swiss Exchange (SIX) may be subject to a minor SIX levy on the sale proceeds (this levy also includes the Swiss Financial Market Supervisory Authority FINMA (FINMA) surcharge).

#### Final foreign withholding taxes

On January 1, 2013, bilateral tax agreements between Switzerland and the United Kingdom and between Switzerland and Austria entered into force. The agreements, among other things, require a Swiss paying agent to levy a non-refundable (final) tax at specified rates in respect of an individual resident in the United Kingdom or in Austria, as applicable, on interest, dividends or capital gain paid, or credited to an account, relating to the Shares. The final withholding tax substitutes the United Kingdom or Austrian income tax, as applicable, on such interest, dividends or capital gain. Such a person may, however, opt for voluntary disclosure of the interest, dividends or capital gain to the tax authority of his or her country of residency rather than be subject to the final withholding tax specified in the agreements. Switzerland may conclude similar treaties with other European countries.

### US federal income tax

For purposes of this discussion, a "US Holder" is any beneficial owner of Shares that is: (i) a citizen or resident of the US; (ii) a corporation organized under the laws of the US or any political subdivision thereof; or (iii) any other person that is subject to US federal income tax on a net income basis in respect of Shares. A "Non-US Holder" is any beneficial owner of Shares that is a foreign corporation or non-resident alien individual.

#### Taxation of dividends

##### US Holders

For US federal income tax purposes, a US Holder will be required to include the full amount (before reduction for Swiss withholding tax) of a dividend paid with respect to Shares, generally as ordinary income. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual with respect to our Shares will be subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends". Dividends paid on the Shares will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited consolidated financial statements, we believe that the Group was not treated as a PFIC for US federal income tax purposes with respect to our 2012 or 2013 taxable years. In addition, based on the audited consolidated financial statements of the Group and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate the Group becoming a PFIC for the 2014 taxable year. Holders of our Shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances. For this purpose, a "dividend" will include any distribution paid by us with respect to Shares, but only to the extent such distribution is not in excess of our current and accumulated earnings and profits as defined for US federal income tax purposes. Such dividend will constitute income from sources outside of the US. Subject to the limitations and conditions provided in the IR Code, a US Holder may deduct from its US federal taxable income, or claim as a credit against its US federal income tax liability, the Swiss withholding tax withheld. Under the IR Code, dividend payments by us on Shares are not eligible for the dividends received deduction generally allowed to corporate shareholders. Any distribution that exceeds our earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's tax basis in Shares and thereafter as capital gain.

In general, a US Holder will be required to determine the amount of any dividend paid in Swiss francs by translating the Swiss francs into US dollars at the "spot rate" of exchange on the date of receipt. The tax basis of Swiss francs received by the US Holder generally will equal the US dollar equivalent of such Swiss francs, translated at the spot rate of exchange on the date such Swiss franc dividends are received. Upon a subsequent exchange of such Swiss francs for US dollars, or upon the use of such Swiss francs to purchase property, a US Holder will generally recognize ordinary income or loss in the amount equal to the difference between such US Holder's tax basis for the Swiss francs and the US dollars received or, if property is received, the fair market value of the property. In addition, a US Holder may be required to recognize domestic-source foreign currency gain or loss on the receipt of a refund in respect of Swiss withholding tax to the extent the US dollar value of the refund differs from the US dollar equivalent of the amount on the date of receipt of the underlying dividend.

##### Non-US Holders

Dividends paid to a Non-US Holder in respect of Shares will generally not be subject to US federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the US by such Non-US Holder.

### Capital gains tax upon disposal of shares

#### US Holders

A gain or loss realized by a US Holder on the sale or other disposition of Shares will be subject to US federal income taxation as a capital gain or loss in an amount equal to the difference between the US Holder's basis in Shares and the amount realized on the disposition. Such gain or loss will generally be a long-term capital gain or loss if the US Holder holds the Shares for more than one year. A long-term capital gain realized by a US Holder that is an individual generally is subject to taxation at reduced rates.

#### Non-US Holders

A Non-US Holder will generally not be subject to US federal income tax in respect of gains realized on a sale or other disposition of Shares unless the gain is effectively connected with a trade or business of the Non-US Holder in the US.

### Backup withholding tax and information reporting requirements

Dividends paid on, and proceeds from the sale or other disposition of, Shares paid to a US Holder generally may be subject to the information reporting requirements of the IR Code and may be subject to backup withholding unless the holder: (i) establishes that it is a corporation or other exempt holder; or (ii) provides an accurate taxpayer identification number on a properly completed US Internal Revenue Service (IRS) Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the IRS.

A Non-US Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

## LISTING DETAILS

Credit Suisse Group's shares are listed on the SIX under the symbol "CSGN". The Group's ADS are traded on the New York Stock Exchange under the symbol "CS".

The Group's shares are in registered form with a par value of CHF 0.04 per share.

## TRADING IN OUR OWN SHARES

The Group buys and sells its own shares and derivatives on its own shares within its normal trading and market-making activities mainly through its Swiss broker-dealer operations. In the Swiss market, the Group buys and sells its shares and derivatives on these shares to facilitate customer orders, to provide liquidity as a market maker and to hedge derivative instruments.

The net long or short position held by the Group's Swiss bank subsidiaries in the Group's own shares has been at non-material levels relative to the number of the Group's outstanding shares, due in part to FINMA regulations requiring a 100% capital charge to the relevant legal entity for the entire net position in the Group's shares. In addition to FINMA rules, the Group's trading in its own shares in the Swiss market is subject to regulation under the Swiss Federal Act on Stock Exchanges and Securities Trading, the rules of the SIX and the European Exchange electronic exchange, and the Swiss Bankers Association Code of Conduct for Securities Dealers. Trading is also limited by the Group's risk management limits, internal capital allocation rules, balance sheet requirements, counterparty restrictions and other internal regulations and guidelines. Swiss law further limits the Group's ability to hold or repurchase its own shares.

The Group may from time to time place orders for its own shares to satisfy obligations under various employee and management incentive share plans, and potentially for shares to be used as payment in acquisitions. In addition, the Group may purchase shares with the intent of cancellation. Typically in Switzerland, the purchase of shares for cancellation is done under a separate program from the repurchase of shares to be re-issued under employee and management incentive share plans.

▸ Refer to "Share repurchases" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Additional information for further information on trading in the Group's shares and shares repurchases.

## Closing prices and average daily trading volumes for shares and ADS

| Period | Average trading volumes [1] | Shares in CHF (High) [1] | Shares in CHF (Low) [1] | Average trading volumes [2] | Shares in USD (High) [2] | Shares in USD (Low) [2] |
|---|---|---|---|---|---|---|
| **2014 (through March 21)** | **5,023,785** | **30.1** | **26.6** | **918,566** | **33.2** | **29.3** |
| March (through March 21) | 4,899,005 | 28.5 | 26.6 | 894,293 | 32.2 | 30.3 |
| February | 5,154,636 | 28.5 | 26.8 | 985,761 | 31.9 | 29.3 |
| January | 4,988,294 | 30.1 | 27.4 | 875,108 | 33.2 | 29.9 |
| **2013** | **5,532,934** | **30.3** | **22.9** | **1,353,861** | **33.8** | **24.6** |
| Fourth quarter | 5,186,051 | 30.3 | 25.9 | 984,774 | 33.8 | 28.4 |
| December | 4,433,080 | 27.5 | 25.9 | 614,184 | 31.0 | 29.1 |
| November | 6,006,588 | 28.1 | 26.0 | 1,162,985 | 30.9 | 28.4 |
| October | 5,026,146 | 30.3 | 27.6 | 1,168,171 | 33.8 | 30.5 |
| Third quarter | 4,289,980 | 29.0 | 25.0 | 961,438 | 31.7 | 26.6 |
| Second quarter | 6,459,594 | 29.3 | 23.8 | 1,537,847 | 30.3 | 25.3 |
| First quarter | 6,283,303 | 26.8 | 22.9 | 1,969,886 | 29.5 | 24.6 |
| **2012** | **6,955,208** | **27.2** | **16.0** | **2,347,395** | **29.7** | **16.2** |
| Fourth quarter | 5,202,582 | 23.1 | 20.6 | 1,743,249 | 25.3 | 21.7 |
| Third quarter | 7,977,420 | 21.9 | 16.0 | 2,506,018 | 23.4 | 16.2 |
| Second quarter | 8,527,010 | 25.9 | 16.6 | 2,787,803 | 28.7 | 17.4 |
| First quarter | 6,157,287 | 27.2 | 21.0 | 2,342,850 | 29.7 | 22.2 |
| **2011** | **7,145,763** | **45.0** | **19.7** | **2,027,558** | **47.6** | **21.2** |
| **2010** | **7,140,826** | **56.4** | **37.0** | **1,251,186** | **54.6** | **36.5** |
| **2009** | **7,118,183** | **60.4** | **22.5** | **1,448,809** | **59.8** | **19.0** |

[1] Closing prices for one share and average daily trading volume (SIX).
[2] Closing prices of ADS and average daily trading volume (NYSE).

### PROPERTY AND EQUIPMENT

Our principal executive offices, which we own, are located at Paradeplatz 8, Zurich, Switzerland. As of the end of 2013, we maintained 509 offices and branches worldwide, of which approximately 63% were located in Switzerland.

As of the end of 2013, approximately 27% of our worldwide offices and branches were owned directly by us, with the remainder being held under commercial leases, 56% of which expire after 2018. The book value of the ten largest owned properties was approximately CHF 1.0 billion as of the end of 2013. Some of our principal facilities are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. As of the end of 2013, the total amount of indebtedness secured by these facilities was not material to us.

We believe that our current facilities are adequate for existing operations. Management regularly evaluates our operating facilities for suitability, market presence, renovation and maintenance.

## FOREIGN CURRENCY TRANSLATION RATES

The following tables set forth, for the periods indicated, certain information concerning the noon buying rate for the Swiss franc expressed as USD per CHF 1.00:

| Year | End of | Average in [1] | High | Low |
|---|---|---|---|---|
| **Exchange rate information – 5 years** | | | | |
| 2013 | 1.1231 | 1.0813 | 1.1292 | 1.0190 |
| 2012 | 1.0923 | 1.0713 | 1.1174 | 1.0043 |
| 2011 | 1.0668 | 1.1398 | 1.3706 | 1.0251 |
| 2010 | 1.0673 | 0.9628 | 1.0673 | 0.8610 |
| 2009 | 0.9710 | 0.9261 | 1.0016 | 0.8408 |

[1] The average of the noon buying rates on the last business day of each month during the relevant period.

| Month | High | Low |
|---|---|---|
| **Exchange rate information – 6 months** | | |
| March 2014 (through March 21) | 1.1478 | 1.1271 |
| February 2014 | 1.1351 | 1.1050 |
| January 2014 | 1.1176 | 1.0970 |
| December 2013 | 1.1292 | 1.1018 |
| November 2013 | 1.1053 | 1.0846 |
| October 2013 | 1.1216 | 1.0913 |
| September 2013 | 1.1061 | 1.0597 |

# Appendix

# Selected five-year information

## Selected information – Group

| in / end of | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | |
| **Net revenues** | **25,856** | **23,611** | **25,891** | **31,084** | **32,999** |
| **Provision for credit losses** | **167** | **170** | **187** | **(79)** | **506** |
| **Total operating expenses** | **21,593** | **21,251** | **22,233** | **23,686** | **24,387** |
| **Income from continuing operations before taxes and extraordinary items** | **4,096** | **2,190** | **3,471** | **7,477** | **8,106** |
| Income tax expense | 1,276 | 465 | 656 | 1,525 | 1,830 |
| **Income from continuing operations before extraordinary items** | **2,820** | **1,725** | **2,815** | **5,952** | **6,276** |
| Income/(loss) from discontinued operations, net of tax | 145 | (40) | (25) | (32) | 135 |
| **Net income** | **2,965** | **1,685** | **2,790** | **5,920** | **6,411** |
| Less net income/(loss) attributable to noncontrolling interests | 639 | 336 | 837 | 822 | (313) |
| **Net income/(loss) attributable to shareholders** | **2,326** | **1,349** | **1,953** | **5,098** | **6,724** |
| of which from continuing operations | 2,181 | 1,389 | 1,978 | 5,130 | 6,589 |
| of which from discontinued operations | 145 | (40) | (25) | (32) | 135 |
| **Earnings per share (CHF)** | | | | | |
| Basic earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 3.80 | 5.02 |
| Basic earnings per share | 1.22 | 0.79 | 1.32 | 3.78 | 5.12 |
| Diluted earnings per share from continuing operations | 1.14 | 0.82 | 1.34 | 3.79 | 4.88 |
| Diluted earnings per share | 1.22 | 0.79 | 1.32 | 3.77 | 4.98 |
| **Consolidated balance sheet (CHF million)** | | | | | |
| Total assets | 872,806 | 924,280 | 1,049,165 | 1,032,005 | 1,031,427 |
| Share capital | 64 | 53 | 49 | 47 | 47 |
| Shareholders' equity | 42,164 | 35,498 | 33,674 | 33,282 | 37,517 |
| **Shares outstanding (million)** | | | | | |
| Shares outstanding | 1,590.9 | 1,293.8 | 1,220.3 | 1,173.9 | 1,169.2 |
| **Dividend per share (CHF)** | | | | | |
| Dividend per share | 0.70 [1] | 0.75 | 0.75 | 1.30 | 2.00 |
| **Ratios (%)** | | | | | |
| Return on assets [2] | 0.3 | 0.1 | 0.3 | 0.6 | 0.6 |
| Return on equity attributable to shareholders | 5.7 | 3.9 | 6.0 | 14.4 | 18.3 |
| Dividend payout ratio | 57.4 [1] | 94.9 | 56.8 | 34.4 | 39.1 |
| Equity to asset ratio | 4.8 | 3.8 | 3.2 | 3.2 | 3.6 |

[1] Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
[2] Based on amounts attributable to shareholders.

## Selected information – Group (continued)

| in / end of | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Average utilized economic capital (CHF million)** | | | | | |
| Private Banking & Wealth Management | 9,554 | 9,965 | 10,054 | 10,017 | 9,205 |
| Investment Banking | 19,910 | 20,241 | 20,525 | 21,576 | 21,517 |
| Credit Suisse | 31,695 | 32,626 | 32,333 | 32,850 | 30,833 |
| **Pre-tax return on average utilized economic capital (%)** | | | | | |
| Private Banking & Wealth Management | 34.5 | 38.5 | 30.1 | 42.0 | 47.7 |
| Investment Banking | 9.1 | 10.6 | (2.4) | 17.2 | 32.7 |
| Credit Suisse | 13.4 | 7.3 | 11.3 | 23.3 | 26.9 |

## Selected information – Bank

| in / end of | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Condensed consolidated statements of operations (CHF million)** | | | | | |
| **Net revenues** | **25,330** | **23,178** | **24,853** | **30,231** | **32,573** |
| **Provision for credit losses** | **93** | **88** | **123** | **(121)** | **460** |
| **Total operating expenses** | **21,567** | **21,108** | **22,219** | **23,826** | **24,313** |
| **Income from continuing operations before taxes and extraordinary items** | **3,670** | **1,982** | **2,511** | **6,526** | **7,800** |
| Income tax expense | 1,177 | 447 | 444 | 1,284 | 1,847 |
| **Income from continuing operations before extraordinary items** | **2,493** | **1,535** | **2,067** | **5,242** | **5,953** |
| Income/(loss) from discontinued operations, net of tax | 145 | (40) | (25) | (32) | 135 |
| **Net income** | **2,638** | **1,495** | **2,042** | **5,210** | **6,088** |
| Less net income/(loss) attributable to noncontrolling interests | 860 | (600) | 901 | 802 | (697) |
| **Net income/(loss) attributable to shareholders** | **1,778** | **2,095** | **1,141** | **4,408** | **6,785** |
| of which from continuing operations | 1,633 | 2,135 | 1,166 | 4,440 | 6,650 |
| of which from discontinued operations | 145 | (40) | (25) | (32) | 135 |
| **Consolidated balance sheet (CHF million)** | | | | | |
| Total assets | 854,412 | 908,160 | 1,034,787 | 1,019,586 | 1,020,226 |
| Share capital | 4,400 | 4,400 | 4,400 | 4,400 | 4,400 |
| Shareholder's equity | 39,992 | 34,767 | 29,403 | 29,769 | 33,294 |
| **Number of shares outstanding (million)** | | | | | |
| Number of shares outstanding | 4,399.7 | 44.0 | 44.0 | 44.0 | 44.0 |

# List of abbreviations

**A**

| | |
|---|---|
| ABO | Accumulated benefit obligation |
| ABS | Asset-backed securities |
| ADR | American Depositary Receipts |
| ADS | American Depositary Shares |
| AES® | Advanced execution services |
| AGM | Annual general meeting |
| A-IRB | Advanced internal ratings-based approach |
| ALM | Asset and liability management |
| AMA | Advanced measurement approach |
| AMF | Asset Management Finance LLC |
| AoA | Articles of Association |
| AOCI | Accumulated other comprehensive income/(loss) |
| APP | Adjustable Performance Plan |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Updates |

**B**

| | |
|---|---|
| BA | Bachelor of Arts |
| BBA | Bachelor of Business Administration |
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | basis points |

**C**

| | |
|---|---|
| CARMC | Capital Allocation and Risk Management Committee |
| CCA | Contingent Capital Awards |
| CDO | Collateralized debt obligation |
| CDS | Credit default swap |
| CET1 | Common equity tier 1 |
| CEO | Chief Executive Officer |
| CFIG | Customized Fund Investment Group |
| CFO | Chief Financial Officer |
| CFTC | Commodity Futures Trading Commission |
| CMBS | Commercial mortgage-backed securities |
| CoCo | Contingent convertible instrument |
| CoE | Centers of excellence |
| COF | Capital Opportunity Facility |
| COO | Chief Operating Officer |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CRD | Capital Requirements Directive |
| CRO | Chief Risk Officer |
| CVA | Credit valuation adjustment |

**D**

| | |
|---|---|
| DOJ | United States Department of Justice |
| DVA | Debit valuation adjustment |

**E**

| | |
|---|---|
| EBITDA | Earnings before taxes, depreciation and amortization |
| EBRD | European Bank for Reconstruction and Development |
| EC | European Commission |
| ECB | European Central Bank |
| EGM | Extraordinary shareholders' meeting |
| EMEA | Europe, Middle East and Africa |
| EMIR | European Market Infrastructure Regulation |
| ETF | Exchange-traded funds |
| EU | European Union |

**F**

| | |
|---|---|
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FHFA | Federal Housing Finance Agency |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FINRA | Financial Industry Regulatory Authority |
| FSA | UK Financial Services Authority |
| FSB | Financial Stability Board |
| FSMA | Financial Services and Markets Act 2000 |

**G**

| | |
|---|---|
| G-7 | Group of seven leading industrial nations |
| GAAP | Generally accepted accounting principles |
| GSE | Government-sponsored enterprise |
| G-SIB | Global Systemically Important Bank |

**H**

| | |
|---|---|
| HNWI | High-net-worth individuals |

**I**

| | |
|---|---|
| ICS | Internal control systems |
| IFRS | International Financial Reporting Standards |
| IHC | US intermediate holding company |
| IPO | Initial public offering |
| IRC | Incremental risk charge |
| IRS | Internal Revenue Service |
| ISDA | International Swaps and Derivatives Association, Inc. |
| ISU | Incentive Share Unit |
| IT | Information technology |

**J**

| | |
|---|---|
| JD | Juris Doctor |

**K**

| | |
|---|---|
| KPI | Key performance indicator |

**L**

| | |
|---|---|
| LCR | Liquidity coverage ratio |
| LGD | Loss given default |
| LIBOR | London Interbank Offered Rate |
| LTI | Long-term incentive |
| LTV | Loan-to-value |

**M**

| | |
|---|---|
| M&A | Mergers and acquisitions |
| MA | Master of Arts |
| MACCS | Mandatory and contingent convertible securities |
| MBA | Master of Business Administration |
| MCR | Market & Credit Risks |
| MiFID | Markets in Financial Instruments Directive |
| MiFID II | Revised Markets in Financial Instruments Directive |
| MRTC | Material risk takers and controllers |
| MSRB | Municipal Securities Rulemaking Board |

**N**

| | |
|---|---|
| NAV | Net asset value |
| NCFE | National Century Financial Enterprises, Inc. |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |
| NYSE | New York Stock Exchange |

**O**

| | |
|---|---|
| OCC | Office of the Comptroller of the Currency |
| OGR | Organizational Guidelines and Regulations |
| OTC | Over-the-counter |

**P**

| | |
|---|---|
| PAF | 2008 Partner Asset Facility |
| PAF2 | 2011 Partner Asset Facility |
| PBO | Projected benefit obligation |
| PD | Probability of default |
| PFIC | Passive foreign investment company |
| PIP | Performance Incentive Plan |
| PRA | Prudential Regulation Authority |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |

**Q**

| | |
|---|---|
| QIA | Qatar Investment Authority |

**R**

| | |
|---|---|
| RCSA | Risk and control self-assessment |
| RMBS | Residential mortgage-backed securities |
| RMC | Risk Management Committee |
| RNIV | Risk not in VaR |
| ROE | Return on equity |
| RPSC | Risk Processes & Standards Committee |
| RRP | Recovery and Resolution Plan |
| RRSC | Reputational Risk & Sustainability Committee |
| RTSR | Relative total shareholder return |
| RWA | Risk-weighted assets |

**S**

| | |
|---|---|
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SESTA | Swiss Federal Act on Stock Exchanges and Securities Trading |
| SFTQ | Severe flight to quality |
| SISU | Scaled Incentive Share Unit |
| SIX | SIX Swiss Exchange |
| SME | Small and medium size enterprises |
| SNB | Swiss National Bank |
| SOX | US Sarbanes-Oxley Act of 2002 |
| SPE | Special purpose entity |
| SPIA | Single premium immediate annuity |
| STI | Short-term incentive |

**T**

| | |
|---|---|
| TRS | Total return swap |

**U**

| | |
|---|---|
| UHNWI | Ultra-high-net-worth individuals |
| UK | United Kingdom |
| US | United States of America |
| US GAAP | Accounting principles generally accepted in the US |

**V**

| | |
|---|---|
| VaR | Value-at-Risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board of Options Exchange Market Volatility Index |

# Glossary

## A

**Advanced execution services® (AES®)** AES® is a suite of algorithmic trading strategies, tools, and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

**Advanced internal ratings-based approach (A-IRB)** Under the A-IRB approach, risk weights are determined by using internal risk parameters. We have received approval from FINMA to use, and have fully implemented, the A-IRB approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD). We use the A-IRB approach to determine our institutional credit risk and most of our retail credit risk.

**Advanced measurement approach (AMA)** The AMA is used for measuring operational risk. The methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. We have received approval from FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the AMA under the Basel framework.

**Affluent and retail clients** We define affluent and retail clients as individuals having assets under management below CHF 1 million.

**American Depositary Shares (ADS)** An American depositary receipt is a negotiable certificate evidencing an ADS, issued by a depositary bank, that represents all or part of an underlying share of a foreign-based company held in custody.

## B

**Backtesting** Backtesting is a process used to evaluate the performance of VaR models. It consists of a comparison between actual trading revenues and 1-day, 99% VaR. Regulators also use backtesting to evaluate model performance. VaR models that experience less than five exceptions in a rolling 12-month period are deemed to be statistically correct and attract no additional regulatory capital charges.

**Basel III** In December 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III framework, which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen banks' transparency and disclosures. The phase-in period for Basel III is January 1, 2013 through January 1, 2019.

**Basel Committee on Banking Supervision (BCBS)** The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance the understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the BCBS uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the BCBS is best known for its international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision.

**Booking center** Part of a legal entity of Credit Suisse AG that is registered with a domestic banking license where client assets are administered and booked.

## C

**Collateralized debt obligation (CDO)** A CDO is a type of structured asset-backed security whose value and payments are derived from a portfolio of underlying fixed-income assets.

**Commercial mortgage-backed securities (CMBS)** CMBS are a type of mortgage-backed security that is secured by loans on commercial property and can provide liquidity to real estate investors and commercial lenders.

**Commercial paper (CP)** Commercial paper is an unsecured money-market security with a fixed maturity of 1 to 364 days, issued by large banks and corporations to raise funds to meet short term debt obligations.

**Constant prepayment rate (CPR)** A loan prepayment rate that is equal to the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period. The calculation of this estimate is based on a number of factors such as historical prepayment rates for previous loans that are similar to ones in the pool and on future economic outlooks.

**Credit default swap (CDS)** A CDS is a contractual agreement in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

**Credit valuation adjustment (CVA)** The CVA represents the market value of counterparty credit risk for uncollateralized OTC derivative instruments.

## D

**Debit valuation adjustment (DVA)** The DVA represents the market value of our own credit risk for uncollateralized OTC derivative instruments.

**Derivatives** Derivatives are financial instruments or contracts that meet all of the following three characteristics: (1) their value changes in response to changes in an underlying price, such as interest rate, security price, foreign exchange rate, credit rating/price, or index; (2) they require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (3) their terms require or permit net settlement (US GAAP) or they settle at a future date (IFRS).

## F

**Fair value** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Flow-based** Flow-based businesses refer to products that are generally more liquid, less complex and less volatile and which tend to provide a more stable earnings base generated from fees and/or trading activity initiated by or in facilitation of client business. Flow-based businesses include foreign exchange, interest-rate products, cash equities, vanilla derivative products and prime services.

## G

**G-7** The G-7 represents the finance ministers from seven industrialized nations: the US, UK, France, Germany, Italy, Canada and Japan.

## H

**Haircut** The percentage by which an asset's market value is reduced for the purpose of calculating capital, margin requirements and collateral levels. This is used to provide a cushion when lending against collateral to account for possible adverse movements in the value of the collateral.

**High-net-worth individuals (HNWI)** We define high-net-worth individuals as individuals having assets under management in excess of CHF 1 million.

## I

**Incremental risk charge (IRC)** The IRC represents an estimate of the issuer default and migration risk of positions in the trading book over a one-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions. This includes sovereign debt, but excludes securitizations and correlation products.

## L

**Liquidity coverage ratio (LCR)** The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows should be at least 100%.

**London Interbank Offered Rate (LIBOR)** LIBOR is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market.

**Loss given default (LGD)** LGD parameters consider seniority, collateral, counterparty industry and, in certain cases, fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of recovery as well as economic downturn conditions. For much of the Private Banking & Wealth Management loan portfolio, the LGD is primarily dependent upon the type and amount of collateral pledged. For other retail credit risk, predominantly loans secured by financial collateral, pool LGDs differentiate between standard and higher risks, as well as domestic and foreign transactions. The credit approval and collateral monitoring processes are based on loan-to-value limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

## M

**Match funded** Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and value so that the liquidity and funding generated or required by the positions are substantially equivalent.

**Material risk takers and controllers (MRTC)** MRTC are employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile.

## N

**Negative replacement value (NRV)** NRV represents the negative fair value of a derivative financial instrument at a given financial reporting date. A negative replacement value reflects the amount payable to the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to close an open derivative position with a fully offsetting transaction.

**Net stable funding ratio (NSFR)** The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. It is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The standard is defined as the ratio of available stable funding over the amount of required stable funding. The ratio should always be at least 100%.

**Netting agreements** Netting agreements are contracts between two parties where under certain circumstances, such as insolvency, bankruptcy or any other credit event, mutual claims from outstanding business transactions can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

## O

**Over-the-counter (OTC)** Over-the-counter securities and derivatives are not traded on an exchange but via private contracts between counterparties.

## P

**Position risk** Component of the economic capital framework, which is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

**Positive replacement value (PRV)** PRV represents the positive fair value of a derivative financial instrument at a given reporting date. A positive replacement value reflects the amount receivable from the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to enter into the exact same transaction for the residual term, if the existing counterparty should default.

**Probability of default (PD)** PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are based on time-weighted averages of historical default rates by rating grade, with low-default-portfolio estimation techniques applied for higher quality rating grades. Each PD reflects the internal rating for the relevant obligor.

## R

**Regulatory VaR** Regulatory VaR is a version of VaR that uses an exponential weighting technique that automatically increases VaR where recent short-term market volatility is greater than long-term volatility in the two-year dataset. Regulatory VaR uses an expected shortfall calculation based on average losses, and a ten-day holding period adjusted to one day for presentation purposes. This results in a more responsive VaR model, as the overall increases in market volatility are reflected almost immediately in the regulatory VaR model.

**Repurchase agreements** Repurchase agreements are securities sold under agreements to repurchase substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

**Residential mortgage-backed securities (RMBS)** RMBS are a type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. They securitize the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors.

**Reverse repurchase agreements** Reverse repurchase agreements are purchases of securities under agreements to resell substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

**Risk management VaR** Risk management VaR is a version of VaR that uses an exponential weighting technique that automatically adjusts VaR where recent short-term market volatility differs from long-term volatility in the two-year dataset. Risk management VaR uses an expected shortfall calculation based on average losses, and a one-day holding period. This results in a more responsive VaR model, as the overall changes in market volatility are reflected almost immediately in the risk management VaR model.

**Risk mitigation** Risk mitigation refers to measures undertaken by the Group or the Bank to actively manage its risk exposure. For credit risk exposure, such measures would normally include utilizing credit hedges and collateral, such as cash and marketable securities. Credit hedges represent the notional exposure that can be transferred to other market counterparties, generally through the use of credit default swaps.

**Risk not in VaR (RNIV)** RNIV is a framework intended to ensure that capital is held to meet all risks which are not captured, or not captured adequately, by the Group's VaR and stressed VaR models. These include, but are not limited to incomplete, missing and/or illiquid risk factors such as certain basis, correlation, higher-order and cross risks, and calibration parameters. The RNIV framework is continuously updated to incorporate new RNIVs.

**Risk-weighted assets (RWA)** The value of the Group's assets weighted according to certain identified risks for compliance with regulatory provisions.

## S

**Stressed VaR** Stressed VaR replicates a VaR calculation on the current portfolio of the Group or the Bank, taking into account a one-year observation period relating to significant financial stress; it helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

**Swiss Financial Supervisory Authority FINMA (FINMA)** FINMA, as an independent supervisory authority, protects creditors, investors and policy holders, ensuring the smooth functioning of the financial markets and preserving their reputation. In its role as state supervisory authority, FINMA acts as an oversight authority of banks, insurance companies, exchanges, securities dealers, collective investment schemes, distributors and insurance intermediaries. It is responsible for combating money laundering and, where necessary, conducts restructuring and bankruptcy proceedings and issues operating licenses for companies in the supervised sectors. Through its supervisory activities, it ensures that supervised institutions comply with the requisite laws, ordinances, directives and regulations and continues to fulfill the licensing requirements. FINMA also acts as a regulatory body; it participates in legislative procedures, issues its own ordinances and circulars where authorized to do so, and is responsible for the recognition of self-regulatory standards.

## T

**Too Big to Fail** In 2011, the Swiss Parliament passed legislation relating to big banks. The legislation includes capital and liquidity requirements and rules regarding risk diversification and emergency plans designed to maintain systemically relevant functions even in the event of threatened insolvency.

**Total return swap (TRS)** A TRS is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds.

## U

**Ultra-high-net-worth individuals (UHNWI)** Ultra-high-net-worth individuals have assets under management in excess of CHF 50 million or total wealth exceeding CHF 250 million.

## V

**Value-at-Risk (VaR)** VaR is a technique used to measure the potential loss in fair value of financial instruments based on a statistical analysis of historical price trends and volatilities. VaR as a concept is applicable for all financial risk types with valid regular price histories; the use of VaR allows the comparison of risk in different businesses, such as fixed income and equity.

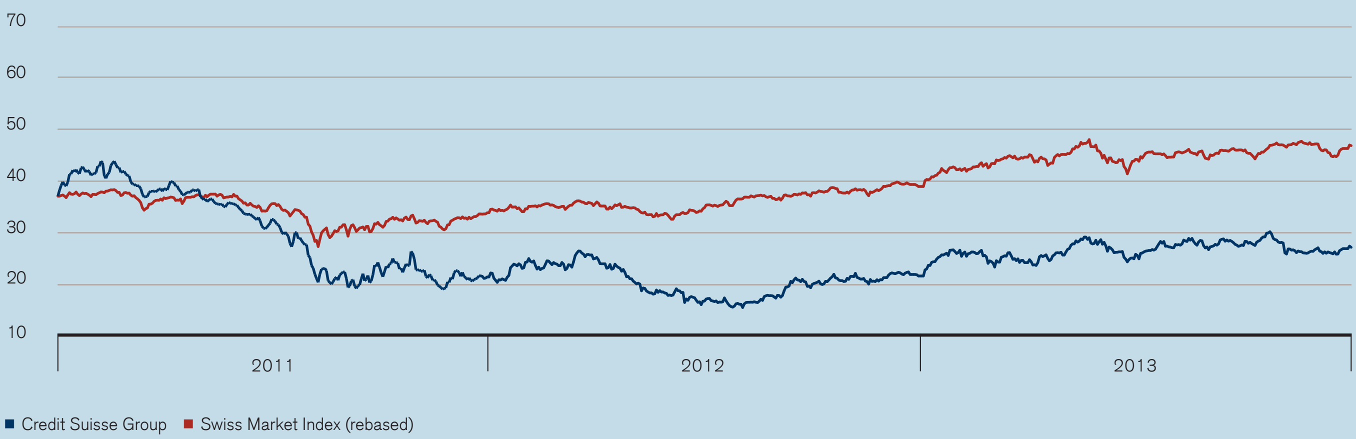
# Investor information

## Share data

| in / end of | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Share price (common shares, CHF)** | | | |
| Average | 26.74 | 21.23 | 31.43 |
| Minimum | 22.90 | 16.01 | 19.65 |
| Maximum | 30.29 | 27.20 | 44.99 |
| End of period | 27.27 | 22.26 | 22.07 |
| **Share price (American Depositary Shares, USD)** | | | |
| Average | 28.85 | 22.70 | 35.36 |
| Minimum | 24.56 | 16.20 | 21.20 |
| Maximum | 33.84 | 29.69 | 47.63 |
| End of period | 30.84 | 24.56 | 23.48 |
| **Market capitalization** | | | |
| Market capitalization (CHF million) | 43,526 | 29,402 | 27,021 |
| Market capitalization (USD million) | 49,224 | 32,440 | 28,747 |
| **Dividend per share (CHF)** | | | |
| Dividend per share | 0.70 [1] | 0.75 [2, 4] | 0.75 [3, 4] |

[1] Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
[2] The distribution was payable in cash of CHF 0.10 per share and in the form of new shares with an approximate value of CHF 0.65 per share.
[3] The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.
[4] Paid out of reserves from capital contributions.

## Share performance



## Ticker symbols / stock exchange listings

| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| Telekurs | CSGN,380 | CS,065 |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of March 21, 2014 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group AG ratings** | | | |
| Short term | – | – | F1 |
| Long term | A2 | A– | A |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse AG ratings** | | | |
| Short term | P-1 | A-1 | F1 |
| Long term | A1 | A | A |
| Outlook | Stable | Stable | Stable |

## Foreign currency translation rates

| | | | End of | | | Average in |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| 1 USD / 1 CHF | 0.89 | 0.92 | 0.94 | 0.93 | 0.93 | 0.88 |
| 1 EUR / 1 CHF | 1.23 | 1.21 | 1.22 | 1.23 | 1.20 | 1.23 |
| 1 GBP / 1 CHF | 1.47 | 1.48 | 1.45 | 1.45 | 1.48 | 1.42 |
| 100 JPY / 1 CHF | 0.85 | 1.06 | 1.21 | 0.95 | 1.17 | 1.11 |

# Financial calendar and contacts

| Financial calendar | |
| --- | --- |
| First quarter 2014 results | Wednesday, April 16, 2014 |
| Annual General Meeting | Friday, May 9, 2014 |
| Capital distribution payment | Friday, May 16, 2014 |
| Second quarter 2014 results | Thursday, July 17, 2014 |
| **Investor relations** | |
| Phone | +41 44 333 71 49 |
| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |
| **Media relations** | |
| Phone | +41 844 33 88 44 |
| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |
| **Additional information** | |
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | Dept. HKG 1 |
| | P.O. Box |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
| --- | --- |
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | American Stock Transfer & Trust Co. |
| | Operations Center |
| | 6201 15th Avenue |
| | Brooklyn, NY 11219 |
| | United States |
| US and Canada phone | +1 800 937 5449 |
| Phone from outside US and Canada | +1 718 921 8124 |
| E-mail | DB@amstock.com |

| Swiss share register and transfer agent | |
| --- | --- |
| Address | Credit Suisse Group AG |
| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 26 60 |
| E-mail | robert.rohner@credit-suisse.com |

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Tel. +81 3 4550 9000
Fax +81 3 4550 9800

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

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

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5511114 English

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

## Form 6-K/A

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

April 3, 2014

Commission File Number 001-33434

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

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

Yes ☐ No ☒

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

# Introduction

This report filed on Form 6-K/A contains certain information about Credit Suisse AG to be incorporated by reference in the Registration Statement on Form F-3 (file no. 333-180300). Credit Suisse Group AG's revised financial report for the fourth quarter of 2013 (Credit Suisse Revised Financial Report 4Q13) is attached as an exhibit to this Form 6-K/A and was filed with the US Securities and Exchange Commission (SEC) on April 3, 2014. The Bank is incorporating by reference the Credit Suisse Revised Financial Report 4Q13 (except for the sections entitled "Dear shareholders", "Investor information" and "Financial calendar and contacts"). The Credit Suisse Revised Financial Report 4Q13 contains information for the three months and the year ended December 31, 2013.

This report on Form 6-K/A (including the exhibit hereto) supersedes and replaces the report on Form 6-K of Credit Suisse AG filed on February 6, 2014 (accession number 0001370368-14-000008) in its entirety.

Unless the context otherwise requires, references herein to "Credit Suisse Group", "Credit Suisse", "the Group", "we", "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries and the term "the Bank" means Credit Suisse AG, the Swiss bank subsidiary of the Group, and its consolidated subsidiaries.

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

References herein to "CHF" are to Swiss francs.

# Forward-looking statements

This Form 6-K/A and the information incorporated by reference in this Form 6-K/A include statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future the Group, the Bank and others on their behalf may make statements that constitute forward-looking statements.

When evaluating forward-looking statements, you should carefully consider the cautionary statement regarding forward-looking information, the risk factors and other information set forth in the Group's and the Bank's annual report on Form 20-F for the year ended December 31, 2012 (the Credit Suisse 2012 20-F), and subsequent annual reports on Form 20-F filed by the Group and the Bank with the SEC and the Group's and the Bank's reports on Form 6-K furnished to or filed with the SEC, and other uncertainties and events.

# Key information

# Selected financial data

## Selected operations statement information

| in | 4Q13 | 4Q12 | % change | 2013 | 2012 | % change |
|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **6,024** | **5,592** | 8 | **25,330** | **23,178** | 9 |
| **Provision for credit losses** | **35** | **37** | (5) | **93** | **88** | 6 |
| Compensation and benefits | 2,786 | 2,640 | 6 | 11,187 | 12,219 | (8) |
| General and administrative expenses | 3,227 | 2,086 | 55 | 8,654 | 7,204 | 20 |
| Commission expenses | 386 | 427 | (10) | 1,726 | 1,685 | 2 |
| Total other operating expenses | 3,613 | 2,513 | 44 | 10,380 | 8,889 | 17 |
| **Total operating expenses** | **6,399** | **5,153** | 24 | **21,567** | **21,108** | 2 |
| **Income/(loss) from continuing operations before taxes** | **(410)** | **402** | – | **3,670** | **1,982** | 85 |
| Income tax expense/(benefit) | (85) | 85 | – | 1,177 | 447 | 163 |
| **Income/(loss) from continuing operations** | **(325)** | **317** | – | **2,493** | **1,535** | 62 |
| Income/(loss) from discontinued operations, net of tax | (2) | (31) | (94) | 145 | (40) | – |
| **Net income/(loss)** | **(327)** | **286** | – | **2,638** | **1,495** | 76 |
| Net income/(loss) attributable to noncontrolling interests | 18 | (205) | – | 860 | (600) | – |
| **Net income/(loss) attributable to shareholders** | **(345)** | **491** | – | **1,778** | **2,095** | (15) |
| of which from continuing operations | (343) | 522 | – | 1,633 | 2,135 | (24) |
| of which from discontinued operations | (2) | (31) | (94) | 145 | (40) | – |

## Selected balance sheet information

| end of | 4Q13 | 4Q12 | % change |
|---|---|---|---|
| **Balance sheet statistics (CHF million)** | | | |
| Total assets | 854,412 | 908,160 | (6) |
| Share capital | 4,400 | 4,400 | 0 |

For additional information on the condensed consolidating statements of operations for the three months and the year ended December 31, 2013 and 2012 and the condensed consolidating balance sheets as of December 31, 2013 and December 31, 2012, refer to Note 30 – Subsidiary guarantee information in III – Condensed consolidated financial statements – unaudited in the Credit Suisse Revised Financial Report 4Q13. For a detailed description of factors that affect the results of operations of the Bank, refer to II – Operating and financial review – Operating environment in the Credit Suisse 2012 20-F and I – Credit Suisse results – Operating environment in the Credit Suisse Revised Financial Report 4Q13.

## BIS statistics (Basel III)

| end of | 4Q13 | 4Q12 [1] | % change |
|---|---|---|---|
| **Eligible capital (CHF million)** | | | |
| Common equity tier 1 (CET1) capital | 38,028 | 36,717 | 4 |
| Total tier 1 capital | 41,105 | 40,477 | 2 |
| Total eligible capital | 52,066 | 49,306 | 6 |
| **Capital ratios (%)** | | | |
| CET1 ratio | 14.4 | 13.0 | – |
| Tier 1 ratio | 15.6 | 14.3 | – |
| Total capital ratio | 19.7 | 17.5 | – |

[1] Basel III became effective as of January 1, 2013. 4Q12 amounts, which are presented in order to show meaningful comparative information, are calculated as if Basel III had been implemented in Switzerland at such time.

# Operating and financial review and prospects

Except where noted, the business of the Bank is substantially the same as the business of the Group, and substantially all of the Bank's operations are conducted through the Private Banking & Wealth Management and Investment Banking segments. These segment results are included in Core Results. Certain other assets, liabilities and results of operations are managed as part of the activities of the two segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to the activities of Neue Aargauer Bank and BANK-now, which are managed as part of Private Banking & Wealth Management. Core Results also includes certain Corporate Center activities of the Group that are not applicable to the Bank.

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

## Differences between the Group and the Bank businesses

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

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **4Q13** | 4Q12 | **4Q13** | 4Q12 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 6,024 | 5,592 | 6,139 | 5,706 |
| Total operating expenses | 6,399 | 5,153 | 6,419 | 5,188 |
| Income/(loss) from continuing operations before taxes | (410) | 402 | (333) | 448 |
| Income/(loss) from continuing operations | (325) | 317 | (270) | 363 |
| Net income/(loss) attributable to shareholders | (345) | 491 | (476) | 263 |
| of which from continuing operations | (343) | 522 | (474) | 294 |

## Comparison of selected operations statement information

| | Bank | | Group | |
|---|---|---|---|---|
| in | **2013** | 2012 | **2013** | 2012 |
| **Statements of operations (CHF million)** | | | | |
| Net revenues | 25,330 | 23,178 | 25,856 | 23,611 |
| Total operating expenses | 21,567 | 21,108 | 21,593 | 21,251 |
| Income from continuing operations before taxes | 3,670 | 1,982 | 4,096 | 2,190 |
| Income from continuing operations | 2,493 | 1,535 | 2,820 | 1,725 |
| Net income attributable to shareholders | 1,778 | 2,095 | 2,326 | 1,349 |
| of which from continuing operations | 1,633 | 2,135 | 2,181 | 1,389 |

## Comparison of selected balance sheet information

| | Bank | | Group | |
|---|---|---|---|---|
| end of | **4Q13** | 4Q12 | **4Q13** | 4Q12 |
| **Balance sheet statistics (CHF million)** | | | | |
| Total assets | 854,412 | 908,160 | 872,806 | 924,280 |
| Total liabilities | 810,849 | 865,999 | 825,640 | 881,996 |

For information on the operating and financial review and prospects of the Bank, refer to I – Credit Suisse results on pages 8 to 48. This section is included in the Credit Suisse Revised Financial Report 4Q13.

# Treasury and Risk Management

For information on the Bank's treasury and risk management, refer to II – Treasury, risk, balance sheet and off-balance sheet on pages 50 to 76 of the Credit Suisse Revised Financial Report 4Q13.

# Exhibits

**No. Description**

99.1 Credit Suisse Revised Financial Report 4Q13

# Signatures

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

**CREDIT SUISSE AG**
(Registrant)

Date: April 3, 2014

By:
/s/ Brady W. Dougan
Brady W. Dougan
Chief Executive Officer

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

CREDIT SUISSE

# Financial Report 4Q13

Revised

## Financial highlights

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Net income (CHF million)** | | | | | | | | |
| Net income/(loss) attributable to shareholders | (476) | 454 | 263 | – | – | 2,326 | 1,349 | 72 |
| of which from continuing operations | (474) | 304 | 294 | – | – | 2,181 | 1,389 | 57 |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | – | – | 1.14 | 0.82 | 39 |
| Basic earnings/(loss) per share | (0.37) | 0.26 | 0.09 | – | – | 1.22 | 0.79 | 54 |
| Diluted earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | – | – | 1.14 | 0.82 | 39 |
| Diluted earnings/(loss) per share | (0.37) | 0.26 | 0.09 | – | – | 1.22 | 0.79 | 54 |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | (4.5) | 4.3 | 2.9 | – | – | 5.7 | 3.9 | – |
| **Core Results (CHF million)** [1] | | | | | | | | |
| Net revenues | 5,920 | 5,449 | 5,627 | 9 | 5 | 25,217 | 23,251 | 8 |
| Provision for credit losses | 53 | 41 | 70 | 29 | (24) | 167 | 170 | (2) |
| Total operating expenses | 6,396 | 4,720 | 5,172 | 36 | 24 | 21,546 | 21,193 | 2 |
| Income/(loss) from continuing operations before taxes | (529) | 688 | 385 | – | – | 3,504 | 1,888 | 86 |
| **Core Results statement of operations metrics (%)** [1] | | | | | | | | |
| Cost/income ratio | 108.0 | 86.6 | 91.9 | – | – | 85.4 | 91.1 | – |
| Pre-tax income margin | (8.9) | 12.6 | 6.8 | – | – | 13.9 | 8.1 | – |
| Effective tax rate | 11.9 | 53.5 | 22.1 | – | – | 36.4 | 24.6 | – |
| Net income margin [2] | (8.0) | 8.3 | 4.7 | – | – | 9.2 | 5.8 | – |
| **Assets under management and net new assets (CHF billion)** | | | | | | | | |
| Assets under management from continuing operations | 1,253.4 | 1,239.3 | 1,197.8 | 1.1 | 4.6 | 1,253.4 | 1,197.8 | 4.6 |
| Net new assets from continuing operations | 4.2 | 8.8 | 7.1 | (52.3) | (40.8) | 36.1 | 11.4 | 216.7 |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Total assets | 872,806 | 895,169 | 924,280 | (2) | (6) | 872,806 | 924,280 | (6) |
| Net loans | 247,054 | 245,232 | 242,223 | 1 | 2 | 247,054 | 242,223 | 2 |
| Total shareholders' equity | 42,164 | 42,162 | 35,498 | 0 | 19 | 42,164 | 35,498 | 19 |
| Tangible shareholders' equity [3] | 33,955 | 33,838 | 26,866 | – | 26 | 33,955 | 26,866 | 26 |
| **Book value per share outstanding (CHF)** | | | | | | | | |
| Total book value per share | 26.50 | 26.48 | 27.44 | 0 | (3) | 26.50 | 27.44 | (3) |
| Tangible book value per share [3] | 21.34 | 21.25 | 20.77 | 0 | 3 | 21.34 | 20.77 | 3 |
| **Shares outstanding (million)** | | | | | | | | |
| Common shares issued | 1,596.1 | 1,595.4 | 1,320.8 | 0 | 21 | 1,596.1 | 1,320.8 | 21 |
| Treasury shares | (5.2) | (3.0) | (27.0) | 73 | (81) | (5.2) | (27.0) | (81) |
| Shares outstanding | 1,590.9 | 1,592.4 | 1,293.8 | 0 | 23 | 1,590.9 | 1,293.8 | 23 |
| **Market capitalization** | | | | | | | | |
| Market capitalization (CHF million) | 43,526 | 44,066 | 29,402 | (1) | 48 | 43,526 | 29,402 | 48 |
| Market capitalization (USD million) | 49,224 | 48,741 | 32,440 | 1 | 52 | 49,224 | 32,440 | 52 |
| **BIS statistics (Basel III)** | | | | | | | | |
| Risk-weighted assets (CHF million) | 273,846 | 269,263 | 292,481 | 2 | (6) | 273,846 | 292,481 | (6) |
| CET 1 ratio (%) | 15.7 | 16.3 | 14.2 | – | – | 15.7 | 14.2 | – |
| Tier 1 ratio (%) | 16.8 | 17.0 | 15.2 | – | – | 16.8 | 15.2 | – |
| **Dividend per share (CHF)** | | | | | | | | |
| Dividend per share | – | – | – | – | – | 0.70 [4] | 0.75 [5] | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 46,000 | 46,400 | 47,400 | (1) | (3) | 46,000 | 47,400 | (3) |

1 Refer to "Credit Suisse Reporting structure and Core Results" in I – Credit Suisse results – Credit Suisse for further information on Core Results.
2 Based on amounts attributable to shareholders.
3 A non-GAAP financial measure. Tangible shareholders' equity is calculated by deducting goodwill and other intangible assets from total shareholders' equity.
4 Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
5 Paid out of reserves from capital contributions.

Brady W. Dougan, Chief Executive Officer (left) and Urs Rohner, Chairman of the Board of Directors.

## DEAR SHAREHOLDERS

In 2013, our priorities were to further improve profitability, continue to strengthen our capital position and reduce risks and leverage exposure while expanding market share in targeted markets. We made strong progress towards these objectives, while at the same time taking a number of additional strategic measures, both on a Group level and in our two divisions, to continue the transformation of our business.

Credit Suisse also made progress towards resolving legacy issues. In February 2014, Credit Suisse announced that it reached a settlement with the US Securities and Exchange Commission (SEC) and agreed to pay USD 196 million for violations of US securities laws that centered on activities between 2002 and 2008. The investigation by the US Department of Justice (DOJ) in the US tax-related matter remains outstanding. Primarily due to an increase in the litigation provision held against this matter, Credit Suisse announced in April 2014 that it incurred an after-tax charge of CHF 468 million in respect of its preliminary full-year 2013 and fourth-quarter 2013 results. In March 2014, we announced that Credit Suisse reached an agreement with the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac. As a result of this settlement, we incurred an after-tax charge in respect of our preliminary fourth quarter and full-year 2013 results of CHF 275 million.

For the full-year of 2013, underlying* Core pre-tax income was CHF 5,745 million, up 15% from 2012, and the return on equity was 10%. Including significant items, such as certain litigation provisions recognized in the fourth quarter, as well as realignment costs and fair value losses on own debt due to the improvement in our own credit spreads, reported Core pre-tax income for the full year was CHF 3,504 million, compared to CHF 1,888 million in 2012, and the reported return on equity was 6%.

In October 2013, we created non-strategic units within our two divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and to shift resources to focus on our strategic businesses and growth initiatives. Under this new reporting structure, our strategic businesses reported Core pre-tax income of CHF 7,132 million for the full-year 2013. The return on equity of 13% for our strategic businesses in the full year 2013 demonstrates the strength of our core franchises within our two divisions. In addition, we showed continued cost discipline with compensation and benefits expense down 9% from 2012 for the Group and down 10% in Investment Banking.

Our result for the fourth quarter of 2013 reflects strong profitability in Private Banking & Wealth Management and a solid performance in the strategic businesses of Investment Banking, with particular strength in Equities and Underwriting. On an underlying* basis, Core pre-tax income for the quarter was CHF 1,256 million and return on equity was 8%. Reported Core pre-tax loss was CHF 466 million for the fourth quarter and return on equity was a negative 5%.

**Strategic achievements in 2013**

In 2013, we made significant progress in transforming our business to the changing environment through a number of strategic measures. We accelerated the shift of resources to focus on growth in high-returning businesses – particularly in Private Banking & Wealth Management by creating non-strategic units. This also represented an important step toward achieving a more balanced allocation of capital between our two divisions.

During the year, we made significant further progress in our efforts to address the "Too Big to Fail" topic. We largely completed the capital plan announced in July 2012 and ended the year with a Look-through Basel III CET1 ratio of 10.0%. At the same time, we further reduced leverage exposure and reported a Look-through Swiss Total Capital leverage ratio of 3.7% at year end. Based on our preliminary assessment, the Basel Committee's revised guidelines on the calculation of the leverage ratio would increase our year-end 2013 ratio to around 4%, which would meet the 2019 Swiss requirement. We completed the exchange of CHF 3.8 billion of hybrid tier 1 notes into high-trigger capital instruments, successfully issued CHF 6 billion of low-trigger capital notes and are now just approximately CHF 3 billion away from meeting the Swiss 2019 progressive capital requirement. Furthermore, as part of our 2013 compensation structure, we introduced a similar instrument which aligns compensation incentives to the capital strength of the Group, as well as providing additional tier 1 benefits. In November 2013, we announced our program to evolve the Group's legal entity structure, which is designed to both meet future requirements for global recovery and resolution planning and result in a substantially less complex and more efficient operating infrastructure in view of the new regulatory requirements.

In Private Banking & Wealth Management, we improved the profitability of our strategic businesses in 2013, also completing the integration of our former Private Banking and Asset Management divisions. The integrated Private Banking & Wealth Management division allows us to better manage the alignment of the products, advice and services that we deliver to our clients and is expected to further enhance the productivity and efficiency of our businesses. With this integrated value chain, we can support our highly scalable business model in Private Banking & Wealth Management, which is suited to the new regulatory environment. The pre-tax income in the strategic businesses of Asset Management increased 32% from 2012 to 2013, which underscores the strength of the ongoing business and its importance in profit generation within the Private Banking & Wealth Management franchise.

In 2013, we continued to reallocate resources to growth areas, with a particular focus on emerging markets businesses, our global ultra-high-net-worth individual (UHNWI) client franchise and on leveraging our strong market position in Switzerland. In 2013, net new assets from Wealth Management Clients were CHF 18.9 billion, with emerging markets growing at 8%, and continued strong growth in the UHNWI client segment. We also recorded CHF 15.0 billion in net new assets from Asset Management, reflecting significant inflows from higher-margin products, and we continued to see strong inflows of CHF 8.8 billion from the Corporate & Institutional Clients business.

During 2013, we continued to adapt our onshore client service model for Western Europe, adjusting capacity to meet client needs, efficiently managing costs across our businesses and improving our overall market position. We announced the sale of our domestic private banking business booked in Germany in December, while at the same time remaining highly committed to serving the German wealth management market.

We will remain focused on further improving the profitability of our Private Banking & Wealth Management businesses by delivering growth in emerging markets and continuing to adjust our capacity in mature markets to client needs.

In Investment Banking, we continued to see the benefit of our sustained market share positions across our high-returning businesses, combined with a reduced cost base and lower leverage and capital usage. In October 2013, we announced the restructuring of our Rates business, given the increasing focus of regulators on leverage exposures and in view of the fundamental changes in the Rates market. This step forms part of the evolution of our Investment Banking business model and is expected to provide us with a simplified and more capital-efficient business, with a focus on meeting client liquidity needs. In connection with this measure, we also announced the creation of a cross-asset Global Macro Products group, combining our Rates, Foreign Exchange and Commodities businesses into a single platform. This set-up offers clients a comprehensive approach across the macro asset classes and allows us to focus our resources on those areas and products that matter most to them.

We believe that our Investment Banking division, featuring a top-three Equities franchise, a strong and profitable Underwriting & Advisory business and a Fixed Income franchise focused on high-returning yield businesses, is well positioned to continue to serve our clients' needs and deliver strong returns and profitability in 2014.

**Performance of our businesses in the fourth quarter and the full-year 2013**

In Private Banking & Wealth Management, we delivered pre-tax income of CHF 1,048 million for our strategic businesses in the fourth quarter of 2013 and a return on Basel III allocated capital of 34%. Pre-tax income for Private Banking & Wealth Management in the fourth quarter was CHF 424 million, taking into account litigation provisions of CHF 600 million in connection with the US tax matter, including in connection with the settlement with the SEC in February 2014 and an increase in litigation provisions relating to the ongoing DOJ investigation. Net revenues of CHF 3,429 million in the fourth quarter were higher compared to the prior quarter and last year's fourth quarter, driven by stronger transaction- and performance-based revenues with robust performance fees and an increase in management fees in Asset Management. Total operating expenses increased, reflecting the higher litigation provisions.

For the full year, Private Banking & Wealth Management reported increased pre-tax income of CHF 3,627 million for its strategic businesses, mainly driven by the successful restructuring of Asset Management business and growth in emerging markets and in the Wealth Management Clients business. Pre-tax income for the full-year 2013 was CHF 3,240 million.

In Investment Banking, we delivered pre-tax income of CHF 468 million for our strategic businesses in the fourth quarter of 2013 and a return on Basel III allocated capital of 10%. Including an after-tax charge of CHF 275 million relating to the FHFA settlement in March 2014 recognized in the fourth quarter, Investment Banking reported a pre-tax loss of CHF 564 million. Net revenues of CHF 2,668 million increased compared to both the prior quarter and the fourth quarter of 2012. This increase reflected solid performance in the strategic businesses, with particular strength in our Equities, Credit and Underwriting franchises, and reduced revenue losses from the non-strategic unit, partially offset by lower Rates results. Total operating expenses increased compared to both the third quarter of 2013 and the fourth quarter of 2012, primarily driven by the higher litigation provisions.

For the full year, Investment Banking reported increased pre-tax income of CHF 3,853 million for its strategic business. Continued sustained market share positions across our high-returning businesses, combined with a reduced cost base and lower leverage and capital usage, helped us achieve a return on Basel III allocated capital of 19% for 2013. Reported pre-tax income for 2013 was CHF 1,719 million. Total compensation and benefit expense was 10% lower in 2013 than in 2012. Since the fourth quarter of 2012, we reduced Basel III risk-weighted assets by USD 11 billion to USD 176 billion. Business reductions of USD 27 billion in 2013 were partially offset by increases relating to methodology changes and parameter updates of CHF 10 billion and, in the fourth quarter, an operational risk-related add-on of USD 6 billion.

We are confident that the continued momentum we see in our strategic businesses, combined with the successful execution of the run-off of positions and losses in our non-strategic units, will allow us to achieve our targeted return on equity of 15% over the cycle.

Given the progress that we have made in executing our capital plan and in reducing leverage and risk-weighted asset usage while, at the same time, improving the operational efficiency of the bank, the Board of Directors will propose a cash distribution of CHF 0.70 per share to be paid out of reserves from capital contributions for the financial year 2013 at the annual general meeting of Credit Suisse Group on May 9, 2014. This is intended to provide a basis for future progression in our dividend payments as we continue to execute our strategy and resolve legacy issues.

We would like to thank our shareholders and clients for the trust they have placed in Credit Suisse and, in particular, our employees for their contribution to the success of our business.

Sincerely

Urs Rohner Brady W. Dougan

April 2014

* Underlying results are non-GAAP financial measures. For a reconciliation of our underlying results to the most directly comparable US GAAP measures, see the following table.

## Reconciliation of underlying results

| | Core pre-tax income | | | | | Net income attributable to shareholders | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
| **Overview of significant items (CHF million)** | | | | | | | | | | |
| **Reported results** | **(529)** | **688** | **385** | **3,504** | **1,888** | **(476)** | **454** | **263** | **2,326** | **1,349** |
| **Reported return on equity** | **–** | **–** | **–** | **–** | **–** | **2.5%** | **4.3%** | **2.9%** | **5.7%** | **3.9%** |
| Reconciling items | | | | | | | | | | |
| Fair value impact from movement in own credit spreads | 202 | 163 | 376 | 315 | 2,939 | 169 | 143 | 304 | 261 | 2,261 |
| Realignment costs | 131 | 38 | 285 | 394 | 680 | 98 | 30 | 190 | 290 | 477 |
| IT architecture simplification | 69 | 40 | 0 | 128 | 0 | 57 | 31 | 0 | 103 | 0 |
| Certain litigation provisions | 1,365 | 0 | 227 | 1,365 | 363 | 1,038 | 0 | 134 | 1,038 | 230 |
| Business disposals | 6 | (14) | 37 | 9 | (388) | 19 | (144) | 27 | (96) | (336) |
| Impairment and other losses | 80 | 18 | 30 | 98 | 68 | 52 | 11 | 18 | 63 | 41 |
| Gain on sale of real estate | (68) | 0 | (151) | (68) | (533) | (61) | 0 | (120) | (61) | (445) |
| UK deferred tax asset reduction | 0 | 0 | 0 | 0 | 0 | 0 | 173 | 0 | 173 | 160 |
| **Underlying results** | **1,256** | **933** | **1,189** | **5,745** | **5,017** | **896** | **698** | **816** | **4,097** | **3,737** |
| **Underlying return on equity** | **–** | **–** | **–** | **–** | **–** | **8.3%** | **6.6%** | **8.7%** | **10.0%** | **10.4%** |

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown herein. Capital and ratio numbers for periods prior to 2013 are based on estimates, which are calculated as if the Basel III framework had been in place in Switzerland during such periods. For Private Banking & Wealth Management's strategic businesses, return on Basel III allocated capital is calculated using income after tax denominated in Swiss francs and assumes (i) a tax rate of 30% in 4Q13 and 29% in 2013; and (ii) that capital is allocated at 10% of average Basel III risk-weighted assets. For Investment Banking's strategic businesses, return on Basel III allocated capital is calculated using income after tax denominated in US dollars and assumes (i) a tax rate of 30% in 4Q13 and 28% in 2013; and (ii) that capital is allocated at 10% of average Basel III risk-weighted assets.

Unless otherwise noted, leverage ratio, leverage exposure and total capital amounts included herein are based on the current FINMA framework. The Swiss Total Capital leverage ratio is calculated as Swiss Total Capital, divided by a three-month average leverage exposure, which consists of balance sheet assets, off-balance sheet exposures, which consist of guarantees and commitments, and regulatory adjustments, which include cash collateral netting reversals and derivative add-ons.

All references to pre-tax income for Core results refer to income from continuing operations before taxes.

# Financial Report 4Q13 – revised



# Explanation of revision

As announced on March 21, 2014, we entered into an agreement with the Federal Housing Finance Agency (FHFA) to end all claims in two pending securities lawsuits filed by the FHFA against Credit Suisse. As a result of this settlement, we increased our existing FHFA-related litigation provisions by CHF 467 million, resulting in an after tax charge of CHF 275 million in respect of our previously reported unaudited financial results for 4Q13 and 2013.

As announced on April 3, 2014, we updated our previously reported unaudited financial results for 4Q13 and 2013 to reflect additional after tax charges of CHF 468 million. These charges primarily reflect an increase in the litigation provision relating to the ongoing US Department of Justice investigation into the US tax-related matter, as well as other less significant adjustments for certain unrelated matters.

This revised 4Q13 Financial Report updates those financial results and related information to reflect these events and does not update or modify any other information contained in the report originally published on February 6, 2014 that does not relate to these events.

▸ Refer to "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited for further information.

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

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

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

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

# Credit Suisse at a glance

## Credit Suisse

As one of the world's leading financial services providers, we are committed to delivering our combined financial experience and expertise to corporate, institutional and government clients and to high-net-worth individuals worldwide, as well as to private clients in Switzerland. Founded in 1856, today we have a global reach with operations in over 50 countries and 46,000 employees from approximately 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture diverse growth opportunities around the world. We serve our diverse clients through our two divisions, which cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

## Private Banking & Wealth Management

Private Banking & Wealth Management offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. The Private Banking & Wealth Management division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. In Wealth Management Clients we serve ultra-high-net-worth and high-net-worth individuals around the globe and private clients in Switzerland. Our Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. Asset Management offers a wide range of investment products and solutions across diverse asset classes and investment styles, serving governments, institutions, corporations and individuals worldwide.

## Investment Banking

Investment Banking provides a broad range of financial products and services, including global securities sales, trading and execution, prime brokerage and capital raising services, corporate advisory and comprehensive investment research, with a focus on businesses that are client-driven, flow-based and capital-efficient. Clients include corporations, governments, institutional investors, including hedge funds, and private individuals around the world. Credit Suisse delivers its investment banking capabilities via regional and local teams based in major global financial centers. Strongly anchored in Credit Suisse's integrated model, Investment Banking works closely with Private Banking & Wealth Management to provide clients with customized financial solutions.

# I

# Credit Suisse results

# Operating environment

Global economic activity remained robust in 4Q13. Equity markets ended the quarter stronger and volatility remained at low levels. Government bond yields remained stable. The performance of the US dollar against most major currencies was mixed in 4Q13.

## ECONOMIC ENVIRONMENT

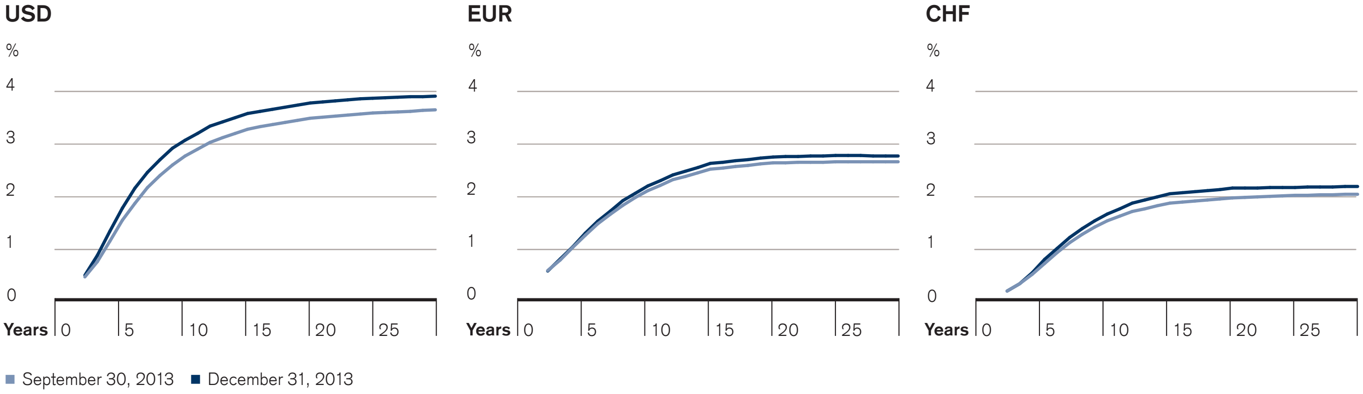
The global economic environment was robust in 4Q13. The negative effects of a government shutdown in the US during October on US economic growth were limited. Leading indicators in the US remained at relatively high levels and improved further. Indicators for the labor and housing market in the US continued to show further strength. The mild recovery in the Eurozone continued, though there was a growing divergence between the accelerated growth in Germany and the weaker data in France towards the end of the year. In the emerging markets, China displayed further signs of growth stabilizing at robust levels, while business confidence in the manufacturing sectors of Russia and Brazil was more muted.

At its meeting in mid-December 2013, the US Federal Reserve (Fed) decided to reduce the pace of its monthly asset purchases from USD 85 billion to USD 75 billion effective as of January 2014. It also continued to signal its intent to keep the federal funds rate low for the foreseeable future. The European Central Bank (ECB) cut its main refinancing rate in early November in reaction to very low inflation rates in the Eurozone. In Latin America, central banks pursued diverging courses, with Mexico and Chile lowering rates and Brazil increasing them for the sixth time in 2013. In Asia, Indonesia and India raised rates further, while central banks in Eastern Europe left rates largely unchanged.

Global equity markets had positive returns in 4Q13. Developed markets, led by Japan, the US and Germany, continued to outperform emerging markets despite good performance from China and India (refer to the charts "Equity markets"). All global sectors had gains during the quarter. In general, the more cyclical sectors such as IT, industrials and consumer discretionary continued to outperform the global market reflecting the improved global growth outlook. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), continued at low levels for most of the quarter. Risk appetite increased and the Credit Suisse Hedge Fund Index increased 4.2% in 4Q13.

### Yield curves

Bond yields for most currencies increased slightly during the quarter.

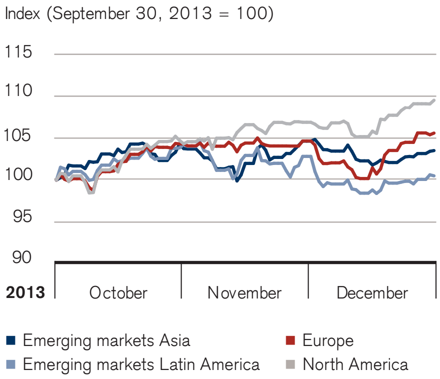



**Source:** Datastream, Credit Suisse

## Equity markets

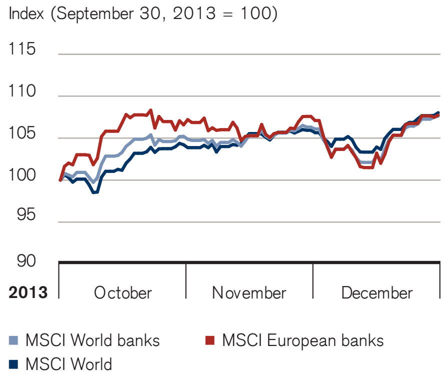
Equity performance was strong in 4Q13. Volatility remained low after a peak at the beginning of the quarter.

**Performance region**



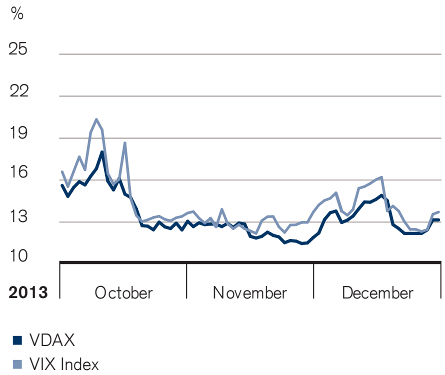

**Source:** Bloomberg, MSCI Barra, Credit Suisse

**Performance world banks**




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

**Volatility**




**Source:** Datastream, Credit Suisse

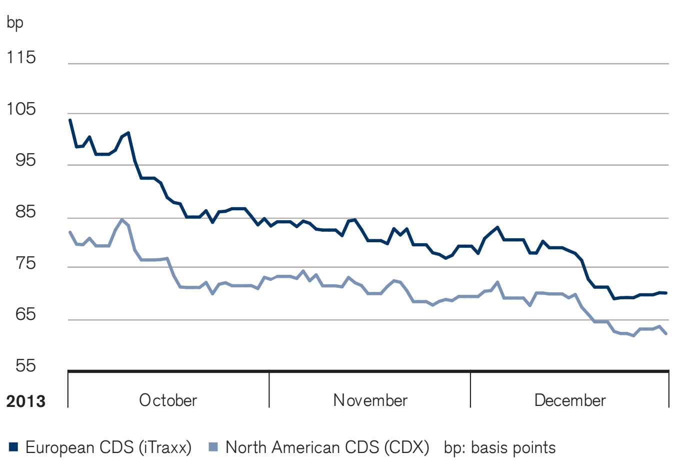
Benchmark bond yields moved slightly higher in 4Q13 (refer to the charts "Yield curves"). The US debt ceiling debate in October temporarily increased market uncertainties and kept bond yields lower; however, once an agreement on the debt ceiling was reached, improving economic data helped to push global benchmark bond yields higher again. With the global improvement of macroeconomic indicators and a supportive liquidity market, credit markets posted a good performance in 4Q13 (refer to the chart "Credit spreads"). Emerging market sovereign bonds were more volatile, especially in local currency, mainly as a result of exchange rate volatility.

US dollar performance in 4Q13 against most major currencies was mixed. The euro, Swiss franc and British pound appreciated against the US dollar, helped by signs of economic recovery in Europe. However, commodity currencies such as the Australian and Canadian dollars weakened, as growth in both countries remained weak. The Japanese yen continued to weaken against the US dollar as higher US interest rates provided the US dollar with support. Currencies of certain emerging market economies, such as the Brazilian real, the South African rand and the Turkish lira weakened. The Chinese yuan continued its strengthening trend against the US dollar.

Commodity markets were mixed in 4Q13. In the first half of the quarter, commodity prices declined, partly driven by seasonality and higher bond yields. In the second half, the overall commodity index recovered, driven by oil and gas markets as well as industrial metals which benefited from recovering economic growth and strengthening demand. In contrast, gold prices declined during November and December as concerns about the Fed's tapering of future asset purchases resulted in further investment outflows.

## Credit spreads

With the global improvement of macroeconomic data, credit spreads tightened in 4Q13.




**Source:** Bloomberg, Credit Suisse

## Market volumes (growth in %)

| | Global | | Europe | |
|---|---|---|---|---|
| end of 4Q13 | QoQ | YoY | QoQ | YoY |
| Equity trading volume [1] | 11 | 11 | 13 | 17 |
| Announced mergers and acquisitions [2] | (9) | (13) | (9) | (24) |
| Completed mergers and acquisitions [2] | 16 | (10) | (9) | 2 |
| Equity underwriting [2] | 62 | 60 | 244 | 91 |
| Debt underwriting [2] | (4) | (17) | 16 | 5 |
| Syndicated lending – investment grade [2, 3] | 6 | 14 | – | – |

1 London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ.
2 Dealogic.
3 2013 vs 2012.

### SECTOR ENVIRONMENT

After outperforming the broader market in the beginning of the quarter, European bank stocks increased 8% in 4Q13, in line with global equity markets as measured by the MSCI World index, while North American bank stocks increased 9% (refer to the charts “Equity Markets”).

In private banking, clients maintained a cautious investment stance, with cash deposits remaining high despite the low interest rates. The low interest rate environment continued to adversely impact earnings. Although the Swiss National Bank (SNB) reiterated concerns about the build-up of imbalances in mortgage and real estate markets in Switzerland, Swiss mortgage rates remained at low levels. Overall the wealth management sector continued to adapt to further industry-specific regulatory changes.

For investment banking, global equity trading volumes increased compared to 3Q13, driven by higher volumes across European and US cash equities and equity derivatives. Compared to 4Q12, volumes were higher across European cash equities, but weaker across US cash equities and equity derivatives. Global announced mergers and acquisitions (M&A) volumes decreased compared to 3Q13 and 4Q12 as the pace of new announcements decreased in December. Global completed M&A volumes increased compared to 3Q13 and remained stable versus 4Q12. Global equity underwriting volumes increased significantly versus both 3Q13 and 4Q12, driven by increased initial public offering (IPO) issuance activity levels. Global debt underwriting volumes decreased compared to both 3Q13 and 4Q12. US fixed income volumes decreased compared to 3Q13 with lower corporate and mortgage-backed volumes partially offset by higher volumes of federal agency and stable treasuries. Compared to 4Q12, weaker federal agency and mortgage-backed volumes were partially offset by higher volumes of treasuries and corporates.

# Credit Suisse

In 4Q13, we recorded a net loss attributable to shareholders of CHF 476 million. Diluted loss per share was CHF (0.37) and return on equity attributable to shareholders was (4.5)%. For 2013, we had net income attributable to shareholders of CHF 2,326 million and return on equity attributable to shareholders was 5.7%, up from 3.9% in 2012.

As of the end of 4Q13, our CET1 ratio under Basel III was 15.7% and 10.0% on a look-through basis. Our risk-weighted assets increased slightly compared to 3Q13 to CHF 273.8 billion.

## Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **6,139** | **5,676** | **5,706** | 8 | 8 | **25,856** | **23,611** | 10 |
| **Provision for credit losses** | **53** | **41** | **70** | 29 | (24) | **167** | **170** | (2) |
| Compensation and benefits | 2,807 | 2,532 | 2,649 | 11 | 6 | 11,256 | 12,303 | (9) |
| General and administrative expenses | 3,223 | 1,771 | 2,106 | 82 | 53 | 8,599 | 7,246 | 19 |
| Commission expenses | 389 | 422 | 433 | (8) | (10) | 1,738 | 1,702 | 2 |
| Total other operating expenses | 3,612 | 2,193 | 2,539 | 65 | 42 | 10,337 | 8,948 | 16 |
| **Total operating expenses** | **6,419** | **4,725** | **5,188** | 36 | 24 | **21,593** | **21,251** | 2 |
| **Income/(loss) from continuing operations before taxes** | **(333)** | **910** | **448** | – | – | **4,096** | **2,190** | 87 |
| Income tax expense/(benefit) | (63) | 368 | 85 | – | – | 1,276 | 465 | 174 |
| **Income/(loss) from continuing operations** | **(270)** | **542** | **363** | – | – | **2,820** | **1,725** | 63 |
| Income/(loss) from discontinued operations | (2) | 150 | (31) | – | (94) | 145 | (40) | – |
| **Net income/(loss)** | **(272)** | **692** | **332** | – | – | **2,965** | **1,685** | 76 |
| Net income attributable to noncontrolling interests | 204 | 238 | 69 | (14) | 196 | 639 | 336 | 90 |
| **Net income/(loss) attributable to shareholders** | **(476)** | **454** | **263** | – | – | **2,326** | **1,349** | 72 |
| of which from continuing operations | (474) | 304 | 294 | – | – | 2,181 | 1,389 | 57 |
| of which from discontinued operations | (2) | 150 | (31) | – | (94) | 145 | (40) | – |
| **Earnings per share (CHF)** | | | | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | – | – | 1.14 | 0.82 | 39 |
| Basic earnings/(loss) per share | (0.37) | 0.26 | 0.09 | – | – | 1.22 | 0.79 | 54 |
| Diluted earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | – | – | 1.14 | 0.82 | 39 |
| Diluted earnings/(loss) per share | (0.37) | 0.26 | 0.09 | – | – | 1.22 | 0.79 | 54 |
| **Return on equity (%, annualized)** | | | | | | | | |
| Return on equity attributable to shareholders | (4.5) | 4.3 | 2.9 | – | – | 5.7 | 3.9 | – |
| Return on tangible equity attributable to shareholders [1] | (5.6) | 5.4 | 3.9 | – | – | 7.2 | 5.2 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 46,000 | 46,400 | 47,400 | (1) | (3) | 46,000 | 47,400 | (3) |

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

## Credit Suisse and Core Results

| in | Core Results 4Q13 | 3Q13 | 4Q12 | Noncontrolling interests without SEI 4Q13 | 3Q13 | 4Q12 | Credit Suisse 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|---|---|---|---|---|---|
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **5,920** | **5,449** | **5,627** | **219** | **227** | **79** | **6,139** | **5,676** | **5,706** |
| **Provision for credit losses** | **53** | **41** | **70** | **0** | **0** | **0** | **53** | **41** | **70** |
| Compensation and benefits | 2,788 | 2,529 | 2,634 | 19 | 3 | 15 | 2,807 | 2,532 | 2,649 |
| General and administrative expenses | 3,219 | 1,769 | 2,105 | 4 | 2 | 1 | 3,223 | 1,771 | 2,106 |
| Commission expenses | 389 | 422 | 433 | 0 | 0 | 0 | 389 | 422 | 433 |
| Total other operating expenses | 3,608 | 2,191 | 2,538 | 4 | 2 | 1 | 3,612 | 2,193 | 2,539 |
| **Total operating expenses** | **6,396** | **4,720** | **5,172** | **23** | **5** | **16** | **6,419** | **4,725** | **5,188** |
| **Income/(loss) from continuing operations before taxes** | **(529)** | **688** | **385** | **196** | **222** | **63** | **(333)** | **910** | **448** |
| Income tax expense/(benefit) | (63) | 368 | 85 | 0 | 0 | 0 | (63) | 368 | 85 |
| **Income/(loss) from continuing operations** | **(466)** | **320** | **300** | **196** | **222** | **63** | **(270)** | **542** | **363** |
| Income/(loss) from discontinued operations | (2) | 150 | (31) | 0 | 0 | 0 | (2) | 150 | (31) |
| **Net income/(loss)** | **(468)** | **470** | **269** | **196** | **222** | **63** | **(272)** | **692** | **332** |
| Net income attributable to noncontrolling interests | 8 | 16 | 6 | 196 | 222 | 63 | 204 | 238 | 69 |
| **Net income/(loss) attributable to shareholders** | **(476)** | **454** | **263** | **–** | **–** | **–** | **(476)** | **454** | **263** |
| of which from continuing operations | (474) | 304 | 294 | – | – | – | (474) | 304 | 294 |
| of which from discontinued operations | (2) | 150 | (31) | – | – | – | (2) | 150 | (31) |
| **Statement of operations metrics (%)** | | | | | | | | | |
| Cost/income ratio | 108.0 | 86.6 | 91.9 | – | – | – | 104.6 | 83.2 | 90.9 |
| Pre-tax income margin | (8.9) | 12.6 | 6.8 | – | – | – | (5.4) | 16.0 | 7.9 |
| Effective tax rate | 11.9 | 53.5 | 22.1 | – | – | – | 18.9 | 40.4 | 19.0 |
| Net income margin [1] | (8.0) | 8.3 | 4.7 | – | – | – | (7.8) | 8.0 | 4.6 |

[1] Based on amounts attributable to shareholders.

### INFORMATION AND DEVELOPMENTS

#### Format of presentation and changes in reporting

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

As of January 1, 2013, the Basel Committee on Banking Supervision (BCBS) Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Our calculations of 4Q12 capital and ratio amounts, which are presented in order to show meaningful comparative information, use estimates as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

References to Swiss leverage exposure refer to the aggregate of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons.

▸ Refer to "Swiss leverage ratio" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Capital metrics under Swiss requirements for further information.

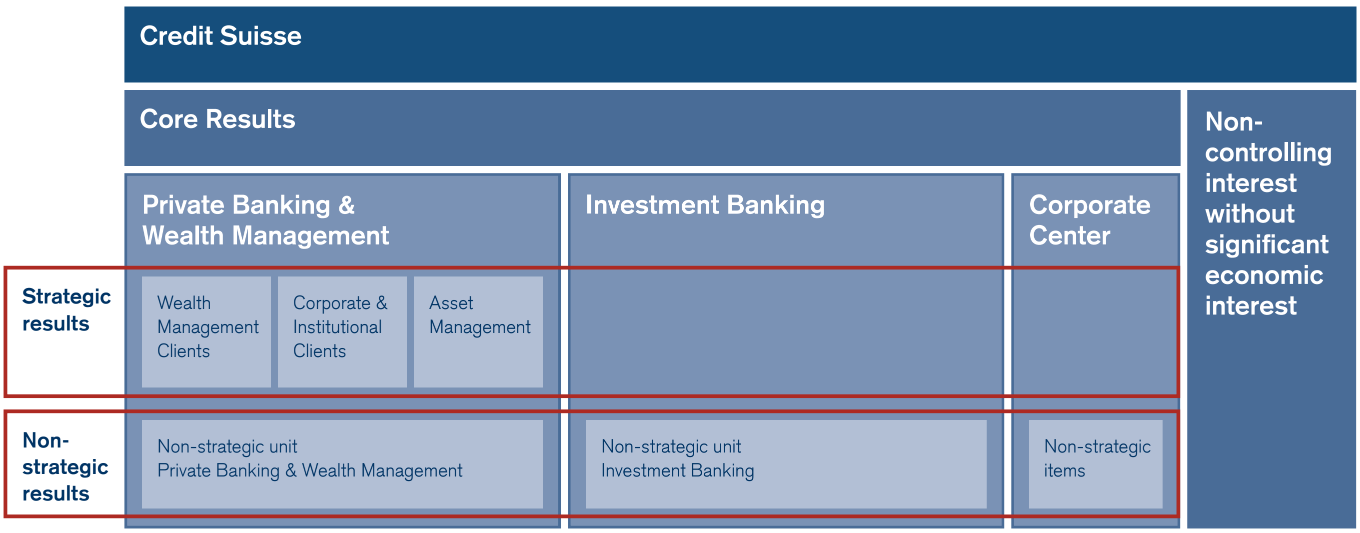
Beginning in 1Q13, assets within the Private Banking & Wealth Management and Investment Banking segments exclude intra-Group balances between the segments. Prior periods have been reclassified to conform to the current presentation.

#### Strategic development of our businesses

In 4Q13, we created non-strategic units within our Investment Banking and Private Banking & Wealth Management divisions and separated non-strategic items in the Corporate Center to further accelerate our reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on our strategic businesses and growth initiatives. The results are disclosed separately within the divisional results and we have implemented a governance structure to accelerate position and expense reductions. We believe this new reporting structure, which clearly delineates between strategic and non-strategic results, enhances the transparency of our financial disclosures while providing increased focus on our strategic businesses within the business divisions and on the Group level. Prior periods have been restated to conform to the current presentation.

We decided to retain these non-strategic units within the divisions, rather than establishing a single non-strategic unit, so as to benefit from senior management's expertise and focus. The non-strategic units have separate management within each division and a clear governance structure through the establishment of a Non-Strategic Oversight Board. As a result, we expect that the establishment of these non-strategic units will drive further reductions in Swiss leverage exposure and risk-weighted assets. It is also expected to free up capital for future growth in Private Banking & Wealth Management, accelerating a move towards a more balanced capital allocation between Investment Banking and Private Banking & Wealth Management, and to allow us to return capital to our shareholders.

**Credit Suisse reporting structure**




Non-strategic activities and positions are defined as:
- activities with significant capital absorption under new regulations and returns below expectations;
- activities with significant leverage exposures identified for de-risking;
- activities no longer feasible or economically attractive under emerging regulatory frameworks;
- assets and liabilities of business activities we are winding down;
- infrastructure associated with activities deemed non-strategic or redundant; and
- other items reported in the Corporate Center, which we do not consider representative of our core performance.

In Private Banking & Wealth Management, we established a non-strategic unit which includes positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

In Investment Banking, we transferred into the divisional non-strategic unit our fixed income wind-down portfolio, legacy rates business, primarily capital instruments that are not compliant with the Basel III capital framework and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

In the Corporate Center, we separately present non-strategic items, which we do not consider representative of our core performance. Such items include the valuation impacts from movements in credit spreads on our own liabilities carried at fair value, certain business realignment costs and IT architecture simplification expenses, certain litigation provisions, business wind-down costs and impairments not included in the divisional non-strategic units and legacy funding costs associated with non-Basel III compliant debt instruments not included in the results of the Investment Banking non-strategic unit. Corporate Center items previously disclosed as adjustments from our reported to underlying results are now presented as non-strategic items, with the exception of business divisions' non-strategic realignment costs, which beginning 4Q13 are reported directly in the relevant divisional non-strategic unit. Strategic business division realignment costs will continue to be reported in the Corporate Center.

### Discontinued operations

The Private Banking & Wealth Management division completed the sale of our Customized Fund Investment Group (CFIG) business in January 2014, and in 4Q13 announced the sale of our domestic private banking business booked in Germany to ABN AMRO, which is expected to close in the course of 2014. These transactions qualify for discontinued operations treatment in 4Q13 under US generally accepted principles (US GAAP), and revenues and expenses of these businesses and the relevant gains on disposal are classified as discontinued operations in the Group's consolidated statements of operations. In the Private Banking & Wealth Management segment, the gains and expenses related to the business disposals are included in the segment's non-strategic results. The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center. Prior periods for the Group's results have been restated to conform to the current presentation.

**Significant litigation matters in 2013**

On March 21, 2014, we entered into an agreement with the Federal Housing Finance Agency (FHFA) to settle litigation claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, we will pay USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against us.

For 2013, we recorded litigation provisions of CHF 600 million in our Private Banking & Wealth Management division in connection with the US tax matter, where we continue to work towards a resolution, including CHF 175 million in connection with the settlement with the SEC in February 2014.

▸ Refer to "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited for further information on litigation.

**Board of Directors and Management changes**

As of December 31, 2013, Tobias Guldimann stepped down from the Executive Board and his position as Chief Risk Officer. Effective January 1, 2014, Joachim Oechslin assumed the role of Chief Risk Officer and joined the Executive Board.

**Capital distribution proposal**

At the Annual General Meeting on May 9, 2014, the Board of Directors will propose a cash distribution of CHF 0.70 per share to be paid out of reserves from capital contributions for the financial year 2013. The distribution out of reserves from capital contributions will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment.

**Evolution of legal entity structure**

Since 2012, we have been developing a program to evolve the Group's legal entity structure to meet developing and future regulatory requirements. This has been prepared in discussion with our primary regulator Swiss Financial Market Supervisory Authority FINMA (FINMA) and will address regulations in Switzerland, the US and the UK with respect to future requirements for global recovery and resolution planning by systemically important banks such as Credit Suisse that will facilitate resolution of an institution in the event of a failure. We expect these changes will result in a substantially less complex and more efficient operating infrastructure for the Group. Furthermore, Swiss banking law provides for the possibility of a limited reduction in capital requirements in the event of an improvement in resolvability which this program intends to deliver.

The key components of the program are:

- in Switzerland we plan to create a subsidiary for our Swiss-booked business (primarily wealth management, retail and corporate and institutional clients as well as the product and sales hub in Switzerland);
- our UK operations will remain the hub of our European investment banking business and we are planning that our two principal UK operating subsidiaries will be consolidated into a single subsidiary. The program will look to align non-European business to the appropriate entities in the Americas and in Asia Pacific;
- in the US, our existing broker-dealer subsidiary is planned to remain a subsidiary of our existing US holding company. The holding company will hold its US-based operating businesses and be subject to the Fed final rules for supervision of foreign banking operations in the US. Additionally, subject to US regulatory approvals, our US derivatives business, currently booked in one of the above noted UK operating subsidiaries, is anticipated to be transferred to the existing US broker-dealer;
- we intend to create a separately capitalized global infrastructure legal entity in Switzerland and a US subsidiary of the above noted US holding company. In principle, these will include all Shared Services functions; and
- once the legal framework is finalized, we plan to issue bail-in eligible debt out of the existing Group holding company to enable a single point of entry bail-in resolution strategy.

The program has been approved by the Board of Directors of the Group, but is subject to final approval by FINMA. Implementation of the program is underway, with a number of key components expected to be implemented from mid-2015.

**Allocations and funding**

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue-sharing and service level agreements, which aim to reflect the pricing structure of unrelated third-party transactions, govern the compensation received by one segment for generating revenue or providing services on behalf of another. Corporate services and business support are provided by the Shared Services area and these costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

We centrally manage our funding activities, with new securities for funding and capital purposes issued primarily by the Bank which lends funds to our operating subsidiaries and affiliates. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital. Transfer pricing, using market rates, is used to record net revenues and expenses relating to this funding in each of the segments, and our businesses are also credited to the extent they provide long-term stable funding.

▸ Refer to "Allocations and funding" in II – Operating and financial review – Core Results in the Credit Suisse Annual Report 2012 for further information.

**Fair valuations**

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

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 27 – Financial instruments" in III – Condensed consolidated financial statements – unaudited for further information.

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

As of the end of 4Q13, 47% and 33% of our total assets and total liabilities, respectively, were measured at fair value.

While the majority of our level 3 assets are recorded in Investment Banking, some are recorded in Private Banking & Wealth Management's Asset Management business, specifically certain private equity investments. Total assets at fair value recorded as level 3 decreased by CHF 0.1 billion during 4Q13, primarily due to a decrease in other investments and loans held-for-sale, partially offset by an increase in loans. The decrease in other investments primarily reflected net sales partially offset by realized and unrealized gains. The decrease in loans held-for-sale primarily reflected net sales and net settlements. The increase in loans primarily reflected net issuances.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 29.8 billion, compared to CHF 29.2 billion as of the end of 3Q13. As of the end of 4Q13, these assets comprised 4% of total assets and 8% of total assets measured at fair value, both adjusted on the same basis, compared to 3% and 7%, respectively, as of the end of 3Q13.

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

**Regulatory developments and proposals**

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

In October 2013, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued a proposed rule to introduce the Basel III liquidity coverage ratio (LCR) in the US, applicable to certain large US banking organizations. The US LCR proposal is generally consistent with the LCR published by the BCBS in January 2013, but it is stricter in certain respects and would be phased in between January 1, 2015 and January 1, 2017. If Credit Suisse is required to form an intermediate holding company under the Fed's proposed rules for foreign banking organizations, it might be required to comply with the US LCR proposal.

On November 14, 2013, staff of the US Commodity Futures Trading Commission (CFTC) published an advisory stating that CFTC "transaction-level" requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as Credit Suisse International (CSI) or Credit Suisse Securities Europe Limited (CSSEL), and another non-US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer. This advisory is currently scheduled to go into effect on September 15, 2014, and the CFTC has requested public comments on it. If this advisory is not rescinded or modified, it could result in some market disruption and impose significant compliance costs on CSI and CSSEL. In light of this advisory, on December 4, 2013, several US financial trade associations filed a lawsuit in the US District Court for the District of Columbia challenging the advisory and the CFTC's July 2013 guidance regarding the cross-border application of its swaps rules. The lawsuit asks the court to vacate the July 2013 guidance and enjoin the CFTC from enforcing its rules outside the US. Depending on the outcome of this lawsuit, the extent to which CSI and CSSEL are subject to CFTC rules may differ significantly from the framework currently applicable under the CFTC's guidance. We are monitoring the progress of the lawsuit and assessing our contingency plans for the different scenarios that could result from it.

On November 20, 2013, the Swiss Federal Council approved the final Ordinance Against Excessive Compensation (Compensation Ordinance). The Compensation Ordinance came into effect on January 1, 2014 and implements key elements of the so-called "Minder Initiative". It imposes restrictions and requirements on board and executive compensation for Swiss public companies, implements criminal sanctions in certain cases of intentional noncompliance and is generally intended to strengthen shareholder rights. Specifically, the board members, board chairperson and the compensation committee members must now be directly elected by shareholders annually, for the first time at the annual general meeting in 2014.

On December 10, 2013, US regulators released the final version of the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds and to engage in certain types of proprietary trading. The final rule extended the end of the conformance period for the Volcker Rule until July 21, 2015 (with the possibility of extensions under certain circumstances), by which time financial institutions subject to the rule must bring their activities and investments into compliance. We are analyzing the final rule, assessing how it affects our businesses, and re-initiating an implementation program to come into compliance.

On December 11, 2013, the European Parliament reached a political agreement with the European Council Presidency on a legislative proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms, known as the Bank Recovery and Resolution Directive. The framework will give national regulators wide-ranging powers (notably new bail-in powers) to intervene where an entity is likely to fail in order to avoid adverse effects on wider financial stability. It is anticipated that the Bank Recovery and Resolution Directive will enter into force on January 1, 2015 and the bail-in powers will become effective on January 1, 2016 at the latest. Our EU subsidiaries will be affected to varying degrees.

On December 13, 2013, the Swiss Federal Council launched a consultation process for a new act to be named Financial Market Infrastructure Act (FMIA). The core purpose of the FMIA is to adjust Swiss regulation of financial market infrastructure and derivatives trading to market developments and international requirements, in particular the regulation on over-the-counter (OTC) Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR) of the EU. In addition, it proposes to amend the Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended (Bank Law), seeking to subject parent companies of financial groups or conglomerates and certain unregulated companies of the group domiciled in Switzerland to the Swiss resolution regime that applies to banks. If enacted, Credit Suisse Group would, and certain of its unregulated subsidiaries could, become subject to the Swiss bank resolution regime and the resolution authority of FINMA. The consultation process on FMIA is scheduled to run until March 31, 2014.

On December 18, 2013, the UK Financial Services Act 2013 (Banking Reform Act) was enacted. The Banking Reform Act provides for the creation of a "retail ring-fence" that will prohibit large retail deposit banks from engaging in a broad range of investment and other banking activities in the same entity. However, it is expected that our Private Banking & Wealth Management business in the UK may benefit from the de minimis exemption from the retail ring-fence requirements which is anticipated to exclude certain banks holding core deposits of below £25 billion. The Banking Reform Act also introduces certain other reforms, including requirements for primary loss absorbing capacity in order to facilitate the use of the new bail-in tool, which is itself introduced by the Banking Reform Act. The Banking Reform Act will also establish a more stringent regulatory regime for certain senior personnel of the bank, as well as create a new criminal offense for reckless mismanagement in the banking industry. Secondary legislation to fully implement the Banking Reform Act is expected to be completed by May 2015. The governance rules and the bail-in tool will impact our UK entities, such as CSI and CSSEL.

On December 18, 2013, the Swiss Federal Council adopted the mandate for negotiations regarding a revision of the taxation of savings agreement between the EU and Switzerland. The envisaged revision should bring the agreement in line with the planned revision of the EU Savings Directive and close current perceived gaps. Switzerland and the EU have officially started negotiations on January 17, 2014.

On December 20, 2013, the CFTC made comparability determinations for some swap dealer entity-level and transaction-level requirements for certain jurisdictions, including the EU. As a result of these determinations, CSI and CSSEL may comply with local EU rules in lieu of certain CFTC requirements regarding risk management, internal controls, chief compliance officer duties and reports, recordkeeping, swap confirmations, portfolio reconciliation and compression, and swap valuation. In addition, the CFTC issued two no-action letters deferring certain CFTC requirements, most notably with respect to trade reporting for swaps with non-US persons, thereby allowing the CFTC more time to consider the comparability of similar rules in other jurisdictions. If the CFTC does not ultimately grant substituted compliance for reporting of swaps with non-US persons, CSI and CSSEL could incur significant operational costs and may lose swap business from non-US clients who do not wish for their trades to be reported to US regulators.

On January 14, 2014, the European Commission, Parliament and Council reached a political agreement on a revised EU Markets in Financial Instruments Directive (MiFID II) and related regulation (MiFIR), which are likely to be enacted in 1Q14. It is expected that the provisions thereof will have to be implemented in the member states and come into effect during the second half of 2016. Although the final text has not yet been published, the European Commission announced that an agreement has been reached to introduce an EU harmonized regime for the cross-border provision of investment services to professional and eligible counterparties in the EU. This new regime for granting access to EU markets for financial services providers based in third countries, including Switzerland, would be based on the positive equivalence determination of the relevant third country jurisdiction by the European Commission and allow for an EU wide passport when providing professional services. Third country financial services providers would be able to continue to provide services and activities to such clients in member states in accordance with national regimes over a transitional period of three years and then pending European Commission's equivalence decisions.

On January 16, 22 and 27, 2014, specified types of interest rate swaps and index credit default swaps (CDS) were deemed "made available to trade" by CFTC-registered swap execution facilities (SEFs). As a result, effective 30 days after those determinations, those types of swaps must be executed on a SEF or designated contract market, unless an exception or exemption applies. It is possible that certain classes of market participants, including some clients of Credit Suisse, will not be prepared to satisfy this requirement, which could result in market disruption and a loss of swap trading revenue for Credit Suisse.

‣ Refer to "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2012 for further information.

‣ Refer to "Regulatory developments and proposals" in II – Treasury, risk, balance sheet and off-balance sheet – Capital management – Regulatory capital framework and "Liquidity and funding management" in II – Treasury, risk, balance sheet and off-balance sheet for further information.

# Core Results

In 4Q13, we recorded a net loss attributable to shareholders of CHF 476 million. Net revenues were CHF 5,920 million and total operating expenses were CHF 6,396 million.

In our strategic businesses, we reported income from continuing operations before taxes of CHF 1,448 million and in our non-strategic businesses we reported a loss from continuing operations before taxes of CHF 1,977 million in 4Q13.

## Core Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,742 | 1,919 | 1,930 | (9) | (10) | 8,100 | 7,126 | 14 |
| Commissions and fees | 3,430 | 3,021 | 3,461 | 14 | (1) | 13,249 | 12,751 | 4 |
| Trading revenues | 287 | 273 | (155) | 5 | – | 2,750 | 1,162 | 137 |
| Other revenues | 461 | 236 | 391 | 95 | 18 | 1,118 | 2,212 | (49) |
| **Net revenues** | **5,920** | **5,449** | **5,627** | 9 | 5 | **25,217** | **23,251** | 8 |
| of which strategic results | 6,038 | 5,692 | 6,083 | 6 | (1) | 25,543 | 25,493 | 0 |
| of which non-strategic results | (118) | (243) | (456) | (51) | (74) | (326) | (2,242) | (85) |
| **Provision for credit losses** | **53** | **41** | **70** | 29 | (24) | **167** | **170** | (2) |
| Compensation and benefits | 2,788 | 2,529 | 2,634 | 10 | 6 | 11,221 | 12,267 | (9) |
| General and administrative expenses | 3,219 | 1,769 | 2,105 | 82 | 53 | 8,587 | 7,224 | 19 |
| Commission expenses | 389 | 422 | 433 | (8) | (10) | 1,738 | 1,702 | 2 |
| Total other operating expenses | 3,608 | 2,191 | 2,538 | 65 | 42 | 10,325 | 8,926 | 16 |
| **Total operating expenses** | **6,396** | **4,720** | **5,172** | 36 | 24 | **21,546** | **21,193** | 2 |
| of which strategic results | 4,554 | 4,282 | 4,342 | 6 | 5 | 18,316 | 19,099 | (4) |
| of which non-strategic results | 1,842 | 438 | 830 | 321 | 122 | 3,230 | 2,094 | 54 |
| **Income/(loss) from continuing operations before taxes** | **(529)** | **688** | **385** | – | – | **3,504** | **1,888** | 86 |
| of which strategic results | 1,448 | 1,390 | 1,691 | 4 | (14) | 7,132 | 6,267 | 14 |
| of which non-strategic results | (1,977) | (702) | (1,306) | 182 | 51 | (3,628) | (4,379) | (17) |
| Income tax expense/(benefit) | (63) | 368 | 85 | – | – | 1,276 | 465 | 174 |
| **Income/(loss) from continuing operations** | **(466)** | **320** | **300** | – | – | **2,228** | **1,423** | 57 |
| Income/(loss) from discontinued operations | (2) | 150 | (31) | – | (94) | 145 | (40) | – |
| **Net income/(loss)** | **(468)** | **470** | **269** | – | – | **2,373** | **1,383** | 72 |
| Net income attributable to noncontrolling interests | 8 | 16 | 6 | (50) | 33 | 47 | 34 | 38 |
| **Net income/(loss) attributable to shareholders** | **(476)** | **454** | **263** | – | – | **2,326** | **1,349** | 72 |
| of which strategic results | 1,062 | 969 | 1,279 | 10 | (17) | 5,065 | 4,796 | 6 |
| of which non-strategic results | (1,538) | (515) | (1,016) | 199 | 51 | (2,739) | (3,447) | (21) |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on Basel III capital [1] | – | 7.1 | 3.9 | – | – | 9.2 | 4.6 | – |
| Cost/income ratio | 108.0 | 86.6 | 91.9 | – | – | 85.4 | 91.1 | – |
| Pre-tax income margin | (8.9) | 12.6 | 6.8 | – | – | 13.9 | 8.1 | – |
| Effective tax rate | 11.9 | 53.5 | 22.1 | – | – | 36.4 | 24.6 | – |
| Net income margin [2] | (8.0) | 8.3 | 4.7 | – | – | 9.2 | 5.8 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 46,000 | 46,400 | 47,400 | (1) | (3) | 46,000 | 47,400 | (3) |

1 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q13 and 3Q13, 27% in 2013, 25% in 4Q12 and 2012 and capital allocated at 10% of average risk-weighted assets.
2 Based on amounts attributable to shareholders.

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Core Results | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **6,038** | **5,692** | **6,083** | **(118)** | **(243)** | **(456)** | **5,920** | **5,449** | **5,627** |
| **Provision for credit losses** | **36** | **20** | **50** | **17** | **21** | **20** | **53** | **41** | **70** |
| Compensation and benefits | 2,599 | 2,376 | 2,328 | 189 | 153 | 306 | 2,788 | 2,529 | 2,634 |
| Total other operating expenses | 1,955 | 1,906 | 2,014 | 1,653 | 285 | 524 | 3,608 | 2,191 | 2,538 |
| **Total operating expenses** | **4,554** | **4,282** | **4,342** | **1,842** | **438** | **830** | **6,396** | **4,720** | **5,172** |
| **Income/(loss) from continuing operations before taxes** | **1,448** | **1,390** | **1,691** | **(1,977)** | **(702)** | **(1,306)** | **(529)** | **688** | **385** |
| Income tax expense/(benefit) | 378 | 405 | 406 | (441) | (37) | (321) | (63) | 368 | 85 |
| **Income/(loss) from continuing operations** | **1,070** | **985** | **1,285** | **(1,536)** | **(665)** | **(985)** | **(466)** | **320** | **300** |
| Income/(loss) from discontinued operations | 0 | 0 | 0 | (2) | 150 | (31) | (2) | 150 | (31) |
| **Net income/(loss)** | **1,070** | **985** | **1,285** | **(1,538)** | **(515)** | **(1,016)** | **(468)** | **470** | **269** |
| Net income attributable to noncontrolling interests | 8 | 16 | 6 | 0 | 0 | 0 | 8 | 16 | 6 |
| **Net income/(loss) attributable to shareholders** | **1,062** | **969** | **1,279** | **(1,538)** | **(515)** | **(1,016)** | **(476)** | **454** | **263** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 242,475 | 236,895 | 255,130 | 23,628 | 24,161 | 28,980 | 266,103 | 261,056 | 284,110 |
| Total assets | 821,207 | 838,098 | 862,101 | 47,975 | 52,971 | 58,073 | 869,182 | 891,069 | 920,174 |
| Swiss leverage exposure | 1,031,316 | 1,076,039 | – | 99,289 | 107,509 | – | 1,130,605 | 1,183,548 | – |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

### RESULTS OVERVIEW

**Core Results net revenues** of CHF 5,920 million increased 5% compared to 4Q12.

In our strategic businesses, net revenues were stable at CHF 6,038 million compared to 4Q12 with stable net revenues in Private Banking & Wealth Management, reflecting higher transaction- and performance based revenues and higher recurring commissions and fees, offset by lower other revenues and lower net interest income. A decrease in Investment Banking was driven by lower client trading activity in the fixed income business and lower advisory results, partially offset by increased revenues from our equity sales and trading and equity underwriting businesses.

In our non-strategic businesses, net revenue losses of CHF 118 million in 4Q13 improved from net revenue losses of CHF 456 million in 4Q12. Improved results in Investment Banking were driven by portfolio valuation gains, particularly in our legacy fixed income wind-down portfolio, reflecting various portfolio management measures, while improved results in Corporate Center were primarily due to lower fair value losses from movements in own credit spreads in 4Q13. An increase in Private Banking & Wealth Management reflected higher investment-related gains partially offset by lower revenues resulting from the sale of businesses.

▸ Refer to "Private Banking & Wealth Management", "Investment Banking" and "Corporate Center" for further information.

**Provision for credit losses** of CHF 53 million in 4Q13 primarily reflected net provisions of CHF 44 million in Private Banking & Wealth Management and CHF 8 million in Investment Banking.

**Total operating expenses** of CHF 6,396 million were up 24% compared to 4Q12, primarily reflecting 53% higher general and administrative expenses and 6% higher compensation and benefits. In strategic businesses, total operating expenses of CHF 4,554 million increased 5% from 4Q12, mainly reflecting higher compensation and benefits, driven by higher discretionary performance-related compensation expense due to variable compensation accruals, reflecting 2013 full-year results, and higher fee-based revenues. In non-strategic businesses total operating expenses of CHF 1,842 million increased 122% from 4Q12, primarily reflecting higher general and administrative expenses, partially offset by a decrease in compensation and benefits. The increase in general and administrative expenses was primarily due to significantly higher litigation provisions in 4Q13. We recorded provisions of CHF 806 million in connection with mortgage-related matters, including in connection with the agreement with the Federal Housing Finance Agency (FHFA) on March 21, 2014 to settle certain litigation relating to mortgage-backed securities, and CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014.

▸ Refer to "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited for further information on litigation.

## Core Results reporting by region

| | | | in | | % change | | in | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Net revenues (CHF million)** | | | | | | | | |
| Switzerland | 1,735 | 1,839 | 1,783 | (6) | (3) | 7,224 | 7,400 | (2) |
| EMEA | 1,225 | 1,303 | 1,340 | (6) | (9) | 6,180 | 6,737 | (8) |
| Americas | 2,457 | 2,129 | 2,349 | 15 | 5 | 9,567 | 9,507 | 1 |
| Asia Pacific | 680 | 597 | 506 | 14 | 34 | 3,036 | 2,388 | 27 |
| Corporate Center | (177) | (419) | (351) | (58) | (50) | (790) | (2,781) | (72) |
| **Net revenues** | **5,920** | **5,449** | **5,627** | 9 | 5 | **25,217** | **23,251** | 8 |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | | | | |
| Switzerland | 534 | 673 | 572 | (21) | (7) | 2,463 | 2,544 | (3) |
| EMEA | (174) | 38 | (9) | – | – | 641 | 872 | (26) |
| Americas | (625) | 468 | 725 | – | – | 1,085 | 2,512 | (57) |
| Asia Pacific | 125 | 68 | (79) | 84 | – | 770 | (151) | – |
| Corporate Center | (389) | (559) | (824) | (30) | (53) | (1,455) | (3,889) | (63) |
| **Income/(loss) from continuing operations before taxes** | **(529)** | **688** | **385** | – | – | **3,504** | **1,888** | 86 |

A significant portion of our business requires inter-regional coordination in order to facilitate the needs of our clients. The methodology for allocating our results by region is dependent on management judgment. For Wealth Management Clients and Corporate & Institutional Clients, results are allocated based on the management reporting structure of our relationship managers and the region where the transaction is recorded. For Asset Management, results are allocated based on the location of the investment advisors and sales teams. For Investment Banking, trading results are allocated based on where the risk is primarily managed and fee-based results are allocated where the client is domiciled.

**Income tax benefit** of CHF 63 million recorded in 4Q13 included the impact of the geographical mix of results, an income tax benefit of CHF 367 million relating to tax deductions arising from participation valuations and the re-measurement of existing deferred tax assets on net operating losses due to changes in forecasted earnings, partially offset by a tax charge of CHF 278 million relating to a valuation allowance recognized on existing deferred tax assets in respect of one of the Group's entities in the UK. Overall, net deferred tax assets decreased CHF 148 million to CHF 5,791 million as of the end of 4Q13 compared to 3Q13. Deferred tax assets on net operating losses decreased by CHF 227 million to CHF 1,380 million during 4Q13. The Core Results effective tax rate was 11.9% in 4Q13, compared to 53.5% in 3Q13.

▸ Refer to "Note 21 – Tax" in III – Condensed consolidated financial statements – unaudited for further information.

**For the full year 2013**, net income attributable to shareholders was CHF 2,326 million, up 72% compared to 2012. Net revenues were CHF 25,217 million, up 8% compared to 2012.

Strategic net revenues were stable at CHF 25,543 million compared to 2012 with stable net revenues for Private Banking & Wealth Management, reflecting higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and other revenues. Strategic net revenues for Investment Banking were slightly lower, reflecting decreased revenues in fixed income sales and trading and advisory revenues, partially offset by increased revenues in equity sales and trading and debt and equity underwriting.

In our non-strategic businesses, net revenue losses of CHF 326 million in 2013 improved from net revenue losses of CHF 2,242 million in 2012. An improvement in Corporate Center mainly reflected fair value losses of CHF 315 million from movements in own credit spreads in 2013 compared to fair value losses from movements in own credit spreads of CHF 2,939 million in 2012. Improved results in Investment Banking were driven by portfolio valuation gains and lower funding costs, while a decrease in Private Banking & Wealth Management was due to lower recurring commissions and fees and lower transaction- and performance-based revenues, reflecting the impact of sales of non-strategic businesses during the course of the year.

Provision for credit losses decreased 2%, reflecting decreases in Private Banking & Wealth Management that were partly offset by increases in Investment Banking.

Compensation and benefits decreased 9%, due to lower discretionary performance-related compensation expense and lower salary expense, reflecting lower headcount. General and administrative expenses increased 19%, reflecting substantially higher litigation provisions in Investment Banking and Private Banking & Wealth Management.

## Overview of Core Results

| | Private Banking & Wealth Management | | | Investment Banking | | |
|---|---|---|---|---|---|---|
| in / end of period | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Statements of operations (CHF million)** | | | | | | |
| **Net revenues** | **3,429** | **3,316** | **3,314** | **2,668** | **2,552** | **2,664** |
| **Provision for credit losses** | **44** | **34** | **68** | **8** | **7** | **2** |
| Compensation and benefits | 1,314 | 1,285 | 1,293 | 1,355 | 1,129 | 1,172 |
| General and administrative expenses | 1,443 | 787 | 849 | 1,667 | 961 | 941 |
| Commission expenses | 204 | 192 | 193 | 202 | 226 | 251 |
| Total other operating expenses | 1,647 | 979 | 1,042 | 1,869 | 1,187 | 1,192 |
| **Total operating expenses** | **2,961** | **2,264** | **2,335** | **3,224** | **2,316** | **2,364** |
| **Income/(loss) from continuing operations before taxes** | **424** | **1,018** | **911** | **(564)** | **229** | **298** |
| Income tax expense/(benefit) | – | – | – | – | – | – |
| **Income/(loss) from continuing operations** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income/(loss) from discontinued operations | – | – | – | – | – | – |
| **Net income/(loss)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Net income attributable to noncontrolling interests | – | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Statement of operations metrics (%)** | | | | | | |
| Return on Basel III capital | 12.7 | 30.0 | 28.0 | – | 4.0 | 5.1 |
| Cost/income ratio | 86.4 | 68.3 | 70.5 | 120.8 | 90.8 | 88.7 |
| Pre-tax income margin | 12.4 | 30.7 | 27.5 | (21.1) | 9.0 | 11.2 |
| Effective tax rate | – | – | – | – | – | – |
| Net income margin | – | – | – | – | – | – |
| **Balance sheet statistics (CHF million)** | | | | | | |
| Risk-weighted assets – Basel III [3] | 94,395 | 92,434 | 96,009 | 156,402 | 152,638 | 171,511 |
| Total assets | 279,139 | 275,421 | 275,683 | 502,799 | 528,762 | 563,758 |
| Swiss leverage exposure | 324,483 | 323,092 | – | 722,500 | 781,225 | – |
| Net loans | 215,713 | 214,095 | 207,702 | 31,319 | 31,115 | 34,501 |
| Goodwill | 2,164 | 2,201 | 2,409 | 5,835 | 5,913 | 5,980 |

1 Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests without SEI.
2 Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q13 and 3Q13, 25% in 4Q12 and capital allocated at 10% of average risk-weighted assets.
3 Represents risk-weighted assets on a fully phased-in "look-through" basis.

### Cost savings and strategy implementation

We continued to adapt our client-focused, capital-efficient strategy to optimize our use of capital and improve our cost structure. We target cost savings of CHF 3.8 billion by the end of 2014 and more than CHF 4.5 billion by the end of 2015. These targets are measured against our annualized 6M11 expense run rate measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and variable compensation expenses.

The majority of the expected future savings is expected to be realized from shared infrastructure and support services across the Group, mainly through the consolidation of fragmented and duplicate functions globally and the continued consolidation of IT applications and functions.

We have also targeted further savings within our two operating divisions. Within Private Banking & Wealth Management, we expect to deliver cost benefits from the creation of the integrated Private Banking & Wealth Management division, exiting a number of small non-strategic markets, repositioning select non-profitable onshore operations, rationalization of front office and support functions, including simplification of our operating platform, streamlining of the offshore affluent and Swiss client coverage model and from announced divestitures. Within Investment Banking, we expect to deliver cost benefits from the restructuring of our rates business, the initiatives already completed in 2012, from continuing to review and realize efficiencies across business lines and geographic regions and from continuing to refine our business mix and align resources with highest returning opportunities. We expect to incur approximately CHF 1.4 billion of business realignment costs associated with these measures during the course of 2014 to 2015.

We incurred CHF 131 million of business realignment costs associated with these measures in 4Q13.

▸ Refer to "Cost savings and strategy implementation" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2012 for further information.

| Corporate Center | | | Core Results[1] | | | of which strategic results | | | of which non-strategic results | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| | | | | | | | | | | | |
| **(177)** | **(419)** | **(351)** | **5,920** | **5,449** | **5,627** | **6,038** | **5,692** | **6,083** | **(118)** | **(243)** | **(456)** |
| **1** | **0** | **0** | **53** | **41** | **70** | **36** | **20** | **50** | **17** | **21** | **20** |
| 119 | 115 | 169 | 2,788 | 2,529 | 2,634 | 2,599 | 2,376 | 2,328 | 189 | 153 | 306 |
| 109 | 21 | 315 | 3,219 | 1,769 | 2,105 | 1,583 | 1,494 | 1,614 | 1,636 | 275 | 491 |
| (17) | 4 | (11) | 389 | 422 | 433 | 372 | 412 | 400 | 17 | 10 | 33 |
| 92 | 25 | 304 | 3,608 | 2,191 | 2,538 | 1,955 | 1,906 | 2,014 | 1,653 | 285 | 524 |
| **211** | **140** | **473** | **6,396** | **4,720** | **5,172** | **4,554** | **4,282** | **4,342** | **1,842** | **438** | **830** |
| **(389)** | **(559)** | **(824)** | **(529)** | **688** | **385** | **1,448** | **1,390** | **1,691** | **(1,977)** | **(702)** | **(1,306)** |
| – | – | – | (63) | 368 | 85 | 378 | 405 | 406 | (441) | (37) | (321) |
| **–** | **–** | **–** | **(466)** | **320** | **300** | **1,070** | **985** | **1,285** | **(1,536)** | **(665)** | **(985)** |
| – | – | – | (2) | 150 | (31) | 0 | 0 | 0 | (2) | 150 | (31) |
| **–** | **–** | **–** | **(468)** | **470** | **269** | **1,070** | **985** | **1,285** | **(1,538)** | **(515)** | **(1,016)** |
| – | – | – | 8 | 16 | 6 | 8 | 16 | 6 | 0 | 0 | 0 |
| **–** | **–** | **–** | **(476)** | **454** | **263** | **1,062** | **969** | **1,279** | **(1,538)** | **(515)** | **(1,016)** |
| | | | | | | | | | | | |
| – | – | – | –[2] | 7.1[2] | 3.9[2] | 16.9[2] | 15.8[2] | 19.2[2] | – | – | – |
| – | – | – | 108.0 | 86.6 | 91.9 | 75.4 | 75.2 | 71.4 | – | – | – |
| – | – | – | (8.9) | 12.6 | 6.8 | 24.0 | 24.4 | 27.8 | – | – | – |
| – | – | – | 11.9 | 53.5 | 22.1 | 26.1 | 29.1 | 24.0 | – | – | – |
| – | – | – | (8.0) | 8.3 | 4.7 | 17.6 | 17.0 | 21.0 | – | – | – |
| | | | | | | | | | | | |
| 15,306 | 15,984 | 16,590 | 266,103 | 261,056 | 284,110 | 242,475 | 236,895 | 255,130 | 23,628 | 24,161 | 28,980 |
| 87,244 | 86,886 | 80,733 | 869,182 | 891,069 | 920,174 | 821,207 | 838,098 | 862,101 | 47,975 | 52,971 | 58,073 |
| 83,622 | 79,231 | – | 1,130,605 | 1,183,548 | – | 1,031,316 | 1,076,039 | – | 99,289 | 107,509 | – |
| 22 | 22 | 20 | 247,054 | 245,232 | 242,223 | – | – | – | – | – | – |
| – | – | – | 7,999 | 8,114 | 8,389 | – | – | – | – | – | – |

## Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component.

The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

▸ Refer to "Compensation and benefits" in II – Operating and financial review – Core Results – Information and developments in the Credit Suisse Annual Report 2012 for further information.

### Variable compensation for 2013

Part of deferred compensation for 2013 was awarded in the form of Contingent Capital Awards (CCA). The CCA plan is a new deferred compensation plan for Executive Board members, managing directors and directors. These awards convey similar rights and risks to those of certain of the contingent capital instruments that have been issued by us in the market. As CCA qualify as additional tier 1 capital of the Group, their vesting and the form of distribution to employees upon settlement is subject to approval by FINMA. Prior to settlement, CCA are subject to being cancelled in full upon specified triggering events, including the Group's Basel III common equity tier 1 (CET1) ratio falling below specified levels, or a determination by FINMA that cancellation of the CCA and other similar capital instruments is necessary, or that we require public sector capital support, to prevent us from becoming insolvent.

### Personnel

Headcount at the end of 4Q13 was 46,000, down 400 from 3Q13 and down 1,400 from 4Q12. The decrease in 4Q13 reflected headcount reductions in Investment Banking and Private Banking & Wealth Management resulting from our cost efficiency initiatives.

## Number of employees by division

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Number of employees by division (full-time equivalents)** | | | |
| Private Banking & Wealth Management | 26,000 | 26,100 | 27,300 |
| Investment Banking | 19,700 | 20,000 | 19,800 |
| Corporate Center | 300 | 300 | 300 |
| **Number of employees** | **46,000** | **46,400** | **47,400** |

### Key performance indicators

Our key performance indicators (KPIs) for the Group and for our Private Banking & Wealth Management and Investment Banking divisions reflect our strategic plan, the regulatory environment and the market cycle. With the revised presentation of strategic and non-strategic results for the Group, our stated KPIs are measured on the basis of reported results rather than on the basis of underlying results as was the case in prior periods beginning in 1Q13.

We believe the execution of our strategic initiatives including the run-off of non-strategic operations, will enable us achieve our targets over a three to five year period across market cycles.

▸ Refer to "Key performance indicators" in Private Banking & Wealth Management and Investment Banking results for further information on divisional KPIs.

### Collaboration revenues

Beginning 2Q13, collaboration revenues are calculated as the percentage of the Group's net revenues represented by the aggregate collaboration revenues arising when more than one of the Group's divisions participate in a transaction.

Additionally, within the Private Banking & Wealth Management division, collaboration revenues include revenues arising from cross-selling and client referral activities between the Wealth Management Clients and Corporate & Institutional Clients businesses on the one hand and the Asset Management and the securities trading and sales businesses on the other hand. Prior period measures of collaboration revenues were not materially impacted by this change and have not been restated. Collaboration revenues are measured by a dedicated governance structure and implemented through an internal revenue sharing structure. Only the net revenues generated by a transaction are considered. Position risk related to trading revenues, private equity and other investment-related gains, valuation adjustments and centrally managed treasury revenues are not included in collaboration revenues.

## Key performance indicators

Our KPIs are targets to be achieved over a three to five year period across market cycles. As such, year to date results may be more meaningful than individual quarterly results. Our KPIs are assessed annually as part of our normal planning process and may be revised to reflect our strategic plan, the regulatory environment and market and industry trends.

| in / end of | Target | 4Q13 | 2013 | 2012 |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Collaboration revenues | 18 – 20% of net revenues | 18.6 | 17.7 | 18.6 |
| **Efficiency and performance (%)** | | | | |
| Total shareholder return (Credit Suisse) [1] | Superior return vs. peer group | (1.3) | 26.0 | 4.8 |
| Total shareholder return of peer group [1, 2] | – | 6.5 | 26.7 | 49.2 |
| Return on equity attributable to shareholders (annualized) | Above 15% | (4.5) | 5.7 | 3.9 |
| Core Results cost/income ratio | Below 70% | 108.0 | 85.4 | 91.1 |
| **Capital (%)** | | | | |
| Look-through Swiss Core Capital ratio | Above 10% | 10.6 | 10.6 | 9.0 |

1 Source: Bloomberg. Total shareholder return is calculated as equal to the appreciation or depreciation of a particular share, plus any dividends, over a given period, expressed as a percentage of the share's value at the beginning of the period.
2 The peer group for this comparison comprises Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JPMorgan Chase, Société Générale and UBS. The total shareholder return of this peer group is calculated as a simple, unweighted average of the return reported by Bloomberg for each of the members of the peer group.

# Private Banking & Wealth Management

In 4Q13, we reported income before taxes of CHF 424 million and net revenues of CHF 3,429 million.

In our strategic businesses, we reported income before taxes of CHF 1,048 million and net revenues of CHF 3,260 million. Compared to 4Q12, income before taxes increased 2%, with higher transaction- and performance-based revenues, higher recurring commissions and fees, lower net interest income and slightly higher operating expenses.

In our non-strategic businesses, we reported a loss before taxes of CHF 624 million reflecting higher litigation provisions in 4Q13 in connection with the US tax matter. In 3Q13, we reported income before taxes of CHF 210 million, which included gains from the sale of former Asset Management businesses.

For 2013, we reported income before taxes of CHF 3,240 million and net revenues of CHF 13,442 million. In our strategic businesses, we reported income before taxes of CHF 3,627 million and net revenues of CHF 12,434 million. In our non-strategic businesses, we reported a loss before taxes of CHF 387 million and net revenues of CHF 1,008 million.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **3,429** | **3,316** | **3,314** | 3 | 3 | **13,442** | **13,474** | 0 |
| of which strategic results | 3,260 | 2,934 | 3,217 | 11 | 1 | 12,434 | 12,343 | 1 |
| of which non-strategic results | 169 | 382 | 97 | (56) | 74 | 1,008 | 1,131 | (11) |
| **Provision for credit losses** | **44** | **34** | **68** | 29 | (35) | **152** | **182** | (16) |
| Compensation and benefits | 1,314 | 1,285 | 1,293 | 2 | 2 | 5,331 | 5,561 | (4) |
| General and administrative expenses | 1,443 | 787 | 849 | 83 | 70 | 3,914 | 3,209 | 22 |
| Commission expenses | 204 | 192 | 193 | 6 | 6 | 805 | 747 | 8 |
| Total other operating expenses | 1,647 | 979 | 1,042 | 68 | 58 | 4,719 | 3,956 | 19 |
| **Total operating expenses** | **2,961** | **2,264** | **2,335** | 31 | 27 | **10,050** | **9,517** | 6 |
| of which strategic results | 2,185 | 2,113 | 2,141 | 3 | 2 | 8,725 | 8,830 | (1) |
| of which non-strategic results | 776 | 151 | 194 | 414 | 300 | 1,325 | 687 | 93 |
| **Income/(loss) before taxes** | **424** | **1,018** | **911** | (58) | (53) | **3,240** | **3,775** | (14) |
| of which strategic results | 1,048 | 808 | 1,029 | 30 | 2 | 3,627 | 3,374 | 7 |
| of which non-strategic results | (624) | 210 | (118) | – | 429 | (387) | 401 | – |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on Basel III capital [1] | 12.7 | 30.0 | 28.0 | – | – | 24.2 | 29.0 | – |
| Cost/income ratio | 86.4 | 68.3 | 70.5 | – | – | 74.8 | 70.6 | – |
| Pre-tax income margin | 12.4 | 30.7 | 27.5 | – | – | 24.1 | 28.0 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 9,334 | 9,569 | 9,809 | (2) | (5) | 9,554 | 9,965 | (4) |
| Pre-tax return on average utilized economic capital (%) [2] | 18.7 | 43.1 | 37.7 | – | – | 34.5 | 38.5 | – |
| **Assets under management (CHF billion)** | | | | | | | | |
| Assets under management | 1,282.4 | 1,268.2 | 1,250.8 | 1.1 | 2.5 | 1,282.4 | 1,250.8 | 2.5 |
| Net new assets | 4.4 | 8.1 | 6.8 | (45.7) | (35.3) | 32.1 | 10.8 | 197.2 |
| **Number of employees and relationship managers** | | | | | | | | |
| Number of employees (full-time equivalents) | 26,000 | 26,100 | 27,300 | 0 | (5) | 26,000 | 27,300 | (5) |
| Number of relationship managers | 4,330 | 4,340 | 4,550 | 0 | (5) | 4,330 | 4,550 | (5) |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q13 and 3Q13, 29% in 2013, 25% in 4Q12 and 2012 and capital allocated at 10% of average risk-weighted assets.
[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | 4Q13 | 3Q13 | 4Q12 | QoQ | YoY | 2013 | 2012 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 1,058 | 1,070 | 1,128 | (1) | (6) | 4,252 | 4,551 | (7) |
| Recurring commissions and fees | 1,232 | 1,235 | 1,183 | 0 | 4 | 4,956 | 4,797 | 3 |
| Transaction- and performance-based revenues | 1,186 | 798 | 1,054 | 49 | 13 | 3,967 | 3,678 | 8 |
| Other revenues [1] | (47) | 213 | (51) | – | (8) | 267 | 448 | (40) |
| **Net revenues** | **3,429** | **3,316** | **3,314** | 3 | 3 | **13,442** | **13,474** | 0 |
| **Provision for credit losses (CHF million)** | | | | | | | | |
| New provisions | 76 | 65 | 107 | 17 | (29) | 281 | 316 | (11) |
| Releases of provisions | (32) | (31) | (39) | 3 | (18) | (129) | (134) | (4) |
| **Provision for credit losses** | **44** | **34** | **68** | 29 | (35) | **152** | **182** | (16) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Net loans | 215,713 | 214,095 | 207,702 | 1 | 4 | 215,713 | 207,702 | 4 |
| of which Wealth Management Clients | 149,728 | 149,667 | 144,856 | 0 | 3 | 149,728 | 144,856 | 3 |
| of which Corporate & Institutional Clients | 62,446 | 60,780 | 58,877 | 3 | 6 | 62,446 | 58,877 | 6 |
| Deposits | 288,770 | 290,042 | 276,571 | 0 | 4 | 288,770 | 276,571 | 4 |
| of which Wealth Management Clients | 208,210 | 212,003 | 203,376 | (2) | 2 | 208,210 | 203,376 | 2 |
| of which Corporate & Institutional Clients | 74,459 | 71,631 | 65,849 | 4 | 13 | 74,459 | 65,849 | 13 |

[1] Includes investment-related gains/(losses), equity participations and other gains/(losses) and fair value gains/(losses) on the Clock Finance transaction.

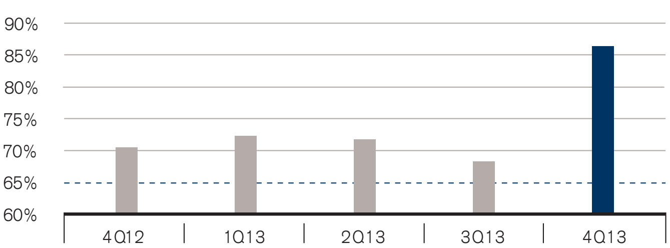
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 65% for the Private Banking & Wealth Management division. In 4Q13, the cost/income ratio was 86.4%, up 16 percentage points compared to 4Q12 and up 18 percentage points compared to 3Q13. The cost/income ratio for our strategic results was 67.0% in 4Q13, stable compared to 4Q12 and down five percentage points compared to 3Q13.

We also target net new asset growth of 6% for both the Wealth Management Clients and Asset Management businesses. In 4Q13, the annualized quarterly growth rates in Wealth Management Clients and Asset Management were 0.9% and (0.6)%, respectively.

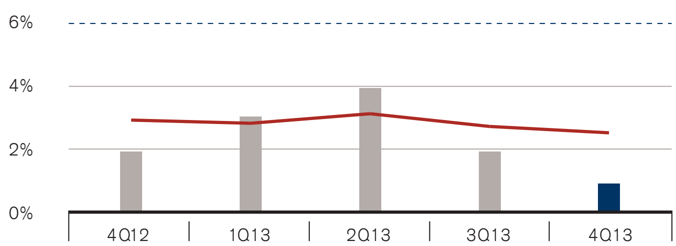
▸ Refer to "Key performance indicators" in Core Results for further information.

**Cost/income ratio (KPI)**
Private Banking & Wealth Management



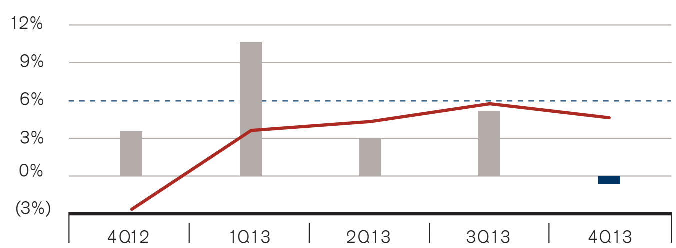

--- Target is a cost/income ratio of 65%.

**Net new asset growth rate (KPI)**
Wealth Management Clients




--- Target is an annualized rate of 6%.
— Net new asset growth rate (rolling four-quarter average)

**Net new asset growth rate (KPI)**
Asset Management




--- Target is an annualized rate of 6%.
— Net new asset growth rate (rolling four-quarter average)

## Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Private Banking & Wealth Management | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **3,260** | **2,934** | **3,217** | **169** | **382** | **97** | **3,429** | **3,316** | **3,314** |
| **Provision for credit losses** | **27** | **13** | **47** | **17** | **21** | **21** | **44** | **34** | **68** |
| Compensation and benefits | 1,242 | 1,205 | 1,202 | 72 | 80 | 91 | 1,314 | 1,285 | 1,293 |
| Total other operating expenses | 943 | 908 | 939 | 704 | 71 | 103 | 1,647 | 979 | 1,042 |
| **Total operating expenses** | **2,185** | **2,113** | **2,141** | **776** | **151** | **194** | **2,961** | **2,264** | **2,335** |
| Income/(loss) before taxes | **1,048** | **808** | **1,029** | **(624)** | **210** | **(118)** | **424** | **1,018** | **911** |
| **Balance sheet statistics (CHF million)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 88,316 | 85,965 | 88,281 | 6,079 | 6,469 | 7,728 | 94,395 | 92,434 | 96,009 |
| Total assets | 258,447 | 253,224 | 251,716 | 20,692 | 22,197 | 23,967 | 279,139 | 275,421 | 275,683 |
| Swiss leverage exposure | 302,894 | 299,996 | – | 21,589 | 23,096 | – | 324,483 | 323,092 | – |

# Strategic results

### OVERVIEW

Our strategic results comprise businesses from Wealth Management Clients, Corporate & Institutional Clients and Asset Management.

### 4Q13 results

In 4Q13, our strategic businesses reported income before taxes of CHF 1,048 million and net revenues of CHF 3,260 million.

Net revenues were 11% higher compared to 3Q13 largely driven by significant seasonal performance fees. Compared to 4Q12, net revenues were stable due to higher transaction- and performance-based revenues and higher recurring commissions and fees, offset by lower other revenues and lower net interest income. Provision for credit losses was CHF 27 million on a net loan portfolio of CHF 212 billion. Total operating expenses were slightly higher compared to 3Q13 and 4Q12.

### Full-year 2013 results

In 2013, our strategic businesses reported income before taxes of CHF 3,627 million and net revenues of CHF 12,434 million.

Net revenues were stable compared to 2012, with higher transaction- and performance-based revenues and higher recurring commissions and fees offset by lower net interest income and lower other revenues. Provision for credit losses was CHF 82 million in 2013 on a net loan portfolio of CHF 212 billion. Total operating expenses were stable compared to 2012 reflecting slightly lower compensation and benefits offset by higher commission expenses.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Net interest income | 1,038 | 1,044 | 1,103 | (1) | (6) | 4,155 | 4,438 | (6) |
| Recurring commissions and fees | 1,149 | 1,149 | 1,064 | 0 | 8 | 4,554 | 4,329 | 5 |
| Transaction- and performance-based revenues | 1,137 | 774 | 990 | 47 | 15 | 3,818 | 3,482 | 10 |
| Other revenues | (64) | (33) | 60 | 94 | – | (93) | 94 | – |
| **Net revenues** | **3,260** | **2,934** | **3,217** | 11 | 1 | **12,434** | **12,343** | 1 |
| New provisions | 58 | 44 | 85 | 32 | (32) | 210 | 274 | (23) |
| Releases of provisions | (31) | (31) | (38) | 0 | (18) | (128) | (135) | (5) |
| **Provision for credit losses** | **27** | **13** | **47** | 108 | (43) | **82** | **139** | (41) |
| Compensation and benefits | 1,242 | 1,205 | 1,202 | 3 | 3 | 5,027 | 5,186 | (3) |
| General and administrative expenses | 750 | 726 | 781 | 3 | (4) | 2,938 | 2,963 | (1) |
| Commission expenses | 193 | 182 | 158 | 6 | 22 | 760 | 681 | 12 |
| Total other operating expenses | 943 | 908 | 939 | 4 | 0 | 3,698 | 3,644 | 1 |
| **Total operating expenses** | **2,185** | **2,113** | **2,141** | 3 | 2 | **8,725** | **8,830** | (1) |
| **Income before taxes** | **1,048** | **808** | **1,029** | 30 | 2 | **3,627** | **3,374** | 7 |
| of which Wealth Management Clients | 466 | 509 | 483 | (8) | (4) | 2,050 | 1,971 | 4 |
| of which Corporate & Institutional Clients | 213 | 251 | 249 | (15) | (14) | 965 | 941 | 3 |
| of which Asset Management | 369 | 48 | 297 | – | 24 | 612 | 462 | 32 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on Basel III capital [1] | 33.7 | 25.7 | 34.5 | – | – | 29.1 | 28.2 | – |
| Cost/income ratio | 67.0 | 72.0 | 66.6 | – | – | 70.2 | 71.5 | – |
| Pre-tax income margin | 32.1 | 27.5 | 32.0 | – | – | 29.2 | 27.3 | – |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 88,316 [2] | 85,965 | 88,281 | 3 | 0 | 88,316 [2] | 88,281 | 0 |
| Total assets | 258,447 | 253,224 | 251,716 | 2 | 3 | 258,447 | 251,716 | 3 |
| Swiss leverage exposure | 302,894 | 299,996 | – | 1 | – | 302,894 | – | – |

[1] Calculated using income after tax denominated in CHF; assumes tax rate of 30% in 4Q13 and 3Q13, 29% in 2013, 25% in 4Q12 and 2012 and capital allocated at 10% of average risk-weighted assets.
[2] Includes the impact of an operational risk add-on of CHF 1.6 billion in 4Q13.

### RESULTS DETAIL

The following provides a comparison of our 4Q13 strategic results versus 4Q12 (YoY) and versus 3Q13 (QoQ).

#### Net revenues

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

**YoY: Stable at CHF 3,260 million**

Net revenues were stable as higher transaction- and performance-based revenues and higher recurring commissions and fees were offset by lower other revenues and lower net interest income. Transaction- and performance-based revenues were higher, mainly driven by higher performance fees and carried interest, higher placement fees, and higher sales and trading income, partially offset by lower revenues from integrated solutions. Higher recurring commissions and fees reflected higher asset management fees, higher investment account and services fees, higher banking services fees, and higher discretionary mandate management fees, partially offset by lower investment product management fees. Lower other revenues mainly reflected an impairment related to Asset Management Finance LLC (AMF) of CHF 68 million in 4Q13, compared to 4Q12 gains of CHF 45 million relating to the sale of Wincasa and gains of CHF 25 million related to a recovery case in Corporate & Institutional Clients, partially offset by a 4Q12 impairment of CHF 16 million related to AMF. In a low interest rate environment, net interest income decreased due to significantly lower deposit margins and slightly lower loan margins on higher average deposit and loan volumes.

**QoQ: Up 11% from CHF 2,934 million to CHF 3,260 million**

Higher net revenues primarily reflected significantly higher transaction- and performance-based revenues, partially offset by lower other revenues. Significantly higher transaction- and performance-based revenues reflected seasonally higher performance fees and carried interest and higher placement and transaction fees. Lower other revenues reflected the impairment of CHF 68 million related to AMF in 4Q13 compared to an impairment of CHF 18 million in 3Q13. Stable recurring commissions and fees mainly reflected lower investment product management fees offset by higher asset management fees. Stable net interest income reflected slightly lower deposit and loan margins on stable average deposit and loan volumes.

### Provision for credit losses

The Wealth Management Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities. Our Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by mortgages, securities and other financial collateral.

**YoY: Down 43% from CHF 47 million to CHF 27 million**

Provision for credit losses decreased. Wealth Management Clients recorded net provisions of CHF 18 million and Corporate & Institutional Clients recorded net provisions of CHF 9 million in 4Q13.

**QoQ: Up 108% from CHF 13 million to CHF 27 million**

Provision for credit losses was lower in Wealth Management Clients and higher in Corporate & Institutional Clients. In 3Q13, Wealth Management Clients recorded net provisions of CHF 21 million while Corporate & Institutional Clients recorded a release of provisions of CHF 8 million relating to a small number of large cases.

### Operating expenses

#### Compensation and benefits

**YoY: Up 3% from CHF 1,202 million to CHF 1,242 million**

Slightly higher compensation and benefits reflected higher discretionary performance-related compensation driven by higher fee-based revenues.

**QoQ: Up 3% from CHF 1,205 million to CHF 1,242 million**

Slightly higher compensation and benefits reflected higher discretionary performance-related compensation driven by higher fee-based revenues.

#### General and administrative expenses

**YoY: Down 4% from CHF 781 million to CHF 750 million**

Lower general and administrative expenses reflected lower travel and entertainment and lower advertising and marketing costs.

**QoQ: Up 3% from CHF 726 million to CHF 750 million**

Slightly higher general and administrative expenses reflected higher professional services fees, higher advertising and marketing and higher travel and entertainment costs.

## WEALTH MANAGEMENT CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 5% from CHF 804 million to CHF 760 million**

Lower net interest income reflected significantly lower deposit margins on slightly higher average deposit volumes and lower loan margins on higher average loan volumes.

**QoQ: Stable at CHF 760 million**

Stable net interest income reflected stable deposit margins and slightly lower loan margins on stable average deposit and loan volumes.

#### Recurring commissions and fees

**YoY: Up 8% from CHF 685 million to CHF 742 million**

Higher recurring commissions and fees reflected higher investment account and services fees, higher banking services fees and higher discretionary mandate management fees, partially offset by slightly lower investment product management fees.

**QoQ: Stable at CHF 742 million**

Recurring commissions and fees were stable, reflecting lower investment product management fees partially offset by slightly higher investment account and services fees.

#### Transaction- and performance-based revenues

**YoY: Down 5% from CHF 584 million to CHF 554 million**

Lower transaction- and performance-based revenues reflected lower revenues from integrated solutions.

**QoQ: Stable at CHF 554 million**

Stable transaction- and performance-based revenues reflected semi-annual performance fees from Hedging-Griffo and higher brokerage and product issuing fees, offset by lower foreign exchange client business.

## Results – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,056** | **2,062** | **2,073** | 0 | (1) | **8,444** | **8,475** | 0 |
| **Provision for credit losses** | **18** | **21** | **36** | (14) | (50) | **78** | **110** | (29) |
| **Total operating expenses** | **1,572** | **1,532** | **1,554** | 3 | 1 | **6,316** | **6,394** | (1) |
| **Income before taxes** | **466** | **509** | **483** | (8) | (4) | **2,050** | **1,971** | 4 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 76.5 | 74.3 | 75.0 | – | – | 74.8 | 75.4 | – |
| Pre-tax income margin | 22.7 | 24.7 | 23.3 | – | – | 24.3 | 23.3 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 760 | 766 | 804 | (1) | (5) | 3,050 | 3,268 | (7) |
| Recurring commissions and fees | 742 | 747 | 685 | (1) | 8 | 2,956 | 2,811 | 5 |
| Transaction- and performance-based revenues | 554 | 549 | 584 | 1 | (5) | 2,438 | 2,355 | 4 |
| Other revenues [1] | 0 | 0 | 0 | – | – | 0 | 41 | (100) |
| **Net revenues** | **2,056** | **2,062** | **2,073** | 0 | (1) | **8,444** | **8,475** | 0 |
| **Gross margin (annualized) (bp)** [2] | | | | | | | | |
| Net interest income | 38 | 39 | 42 | – | – | 38 | 44 | – |
| Recurring commissions and fees | 38 | 38 | 36 | – | – | 38 | 38 | – |
| Transaction- and performance-based revenues | 28 | 28 | 31 | – | – | 31 | 32 | – |
| Other revenues | 0 | 0 | 0 | – | – | 0 | 0 | – |
| **Gross margin** | **104** | **105** | **109** | – | – | **107** | **114** | – |

Beginning in 2Q13, fees collected in an agent role in connection with certain customized fund services we provide to clients where those fees are passed on directly to a third-party investment manager are now presented on a net basis per the applicable accounting standards. These fees were previously recorded on a gross basis as fee income and commission expense. Prior periods have been restated to conform to the current presentation.

[1] Reflects gains of CHF 41 million in 2Q12 related to the sale of a non-core business from the integration of Clariden Leu.

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

### Gross margin

Our gross margin was 104 basis points in 4Q13, five basis points lower compared to 4Q12, mainly reflecting a continued adverse interest rate environment and 5% higher average assets under management. Compared to 3Q13, the gross margin was one basis point lower.

## Relationship managers by region

| end of | **4Q13** | 3Q13 | 4Q12 |
|---|---|---|---|
| **Number of relationship managers** | | | |
| Switzerland | 1,590 | 1,580 | 1,630 |
| EMEA | 1,180 | 1,180 | 1,300 |
| Americas | 560 | 590 | 620 |
| Asia Pacific | 440 | 430 | 440 |
| **Number of relationship managers** | **3,770** | **3,780** | **3,990** |

## Assets under management – Wealth Management Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Assets under management by region (CHF billion)** | | | | | | | | |
| Switzerland | 270.9 | 268.6 | 243.5 | 0.9 | 11.3 | 270.9 | 243.5 | 11.3 |
| EMEA | 231.3 | 231.0 | 243.2 | 0.1 | (4.9) | 231.3 | 243.2 | (4.9) |
| Americas | 172.9 | 171.0 | 164.5 | 1.1 | 5.1 | 172.9 | 164.5 | 5.1 |
| Asia Pacific | 115.6 | 112.3 | 106.8 | 2.9 | 8.2 | 115.6 | 106.8 | 8.2 |
| **Assets under management** | **790.7** | **782.9** | **758.0** | 1.0 | 4.3 | **790.7** | **758.0** | 4.3 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 793.3 | 782.5 | 759.0 | 1.4 | 4.5 | 788.2 | 741.2 | 6.3 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 306.1 | 301.6 | 286.4 | 1.5 | 6.9 | 306.1 | 286.4 | 6.9 |
| EUR | 152.6 | 151.3 | 149.0 | 0.9 | 2.4 | 152.6 | 149.0 | 2.4 |
| CHF | 187.1 | 187.1 | 184.6 | 0.0 | 1.4 | 187.1 | 184.6 | 1.4 |
| Other | 144.9 | 142.9 | 138.0 | 1.4 | 5.0 | 144.9 | 138.0 | 5.0 |
| **Assets under management** | **790.7** | **782.9** | **758.0** | 1.0 | 4.3 | **790.7** | **758.0** | 4.3 |
| **Net new assets by region (CHF billion)** | | | | | | | | |
| Switzerland | (1.4) | (0.7) | 0.3 | 100.0 | – | 0.9 | 2.3 | (60.9) |
| EMEA | (0.7) | (0.8) | (2.0) | (12.5) | (65.0) | 1.8 | (2.0) | – |
| Americas | 1.1 | 2.0 | 3.6 | (45.0) | (69.4) | 4.7 | 10.2 | (53.9) |
| Asia Pacific | 2.7 | 3.3 | 1.7 | (18.2) | 58.8 | 11.5 | 10.1 | 13.9 |
| **Net new assets** | **1.7** | **3.8** | **3.6** | (55.3) | (52.8) | **18.9** | **20.6** | (8.3) |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets | 1.7 | 3.8 | 3.6 | – | – | 18.9 | 20.6 | – |
| Other effects | 6.1 | (3.2) | (7.2) | – | – | 13.8 | 27.9 | – |
| of which market movements | 15.5 | 19.3 | 11.0 | – | – | 40.2 | 47.4 | – |
| of which currency | (8.9) | (18.4) | (11.6) | – | – | (17.6) | (12.4) | – |
| of which other | (0.5) | (4.1) | (6.6) | – | – | (8.8) | (7.1) | – |
| **Growth in assets under management** | **7.8** | **0.6** | **(3.6)** | – | – | **32.7** | **48.5** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | 0.9 | 1.9 | 1.9 | – | – | 2.5 | 2.9 | – |
| Other effects | 3.1 | (1.6) | (3.8) | – | – | 1.8 | 3.9 | – |
| **Growth in assets under management (annualized)** | **4.0** | **0.3** | **(1.9)** | – | – | **4.3** | **6.8** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 2.5 | 2.7 | 2.9 | – | – | – | – | – |
| Other effects | 1.8 | 0.1 | 3.9 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **4.3** | **2.8** | **6.8** | – | – | – | – | – |

## CORPORATE & INSTITUTIONAL CLIENTS

### Net revenues

#### Net interest income

**YoY: Down 7% from CHF 299 million to CHF 278 million**

The decrease reflected significantly lower deposit margins on higher average deposit volumes, partially offset by higher loan margins on higher average loan volumes.

**QoQ: Stable at CHF 278 million**

Stable net interest income reflected lower deposit margins on higher average deposit volumes and slightly lower loan margins on stable average loan volumes.

#### Recurring commissions and fees

**YoY: Down 5% from CHF 114 million to CHF 108 million**

The decrease in recurring commissions and fees primarily reflected lower investment product management fees, partially offset by higher investment account and services fees.

**QoQ: Down 8% from CHF 117 million to CHF 108 million**

Recurring commissions and fees included lower banking services and lower investment product management fees partially offset by higher investment account and services fees.

#### Transaction- and performance-based revenues

**YoY: Stable at CHF 102 million**

Stable transaction- and performance-based revenues reflected higher trading and sales income and higher foreign exchange client business, offset by lower revenues from integrated solutions.

**QoQ: Down 3% from CHF 105 million to CHF 102 million**

Lower transaction- and performance-based revenues reflected lower brokerage and product issuing fees.

### Results – Corporate & Institutional Clients

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **485** | **499** | **534** | (3) | (9) | **1,996** | **2,064** | (3) |
| **Provision for credit losses** | **9** | **(8)** | **11** | – | (18) | **4** | **29** | (86) |
| **Total operating expenses** | **263** | **256** | **274** | 3 | (4) | **1,027** | **1,094** | (6) |
| **Income before taxes** | **213** | **251** | **249** | (15) | (14) | **965** | **941** | 3 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 54.2 | 51.3 | 51.3 | – | – | 51.5 | 53.0 | – |
| Pre-tax income margin | 43.9 | 50.3 | 46.6 | – | – | 48.3 | 45.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Net interest income | 278 | 278 | 299 | 0 | (7) | 1,105 | 1,170 | (6) |
| Recurring commissions and fees | 108 | 117 | 114 | (8) | (5) | 451 | 448 | 1 |
| Transaction- and performance-based revenues | 102 | 105 | 102 | (3) | 0 | 455 | 457 | 0 |
| Other revenues [1] | (3) | (1) | 19 | 200 | – | (15) | (11) | 36 |
| **Net revenues** | **485** | **499** | **534** | (3) | (9) | **1,996** | **2,064** | (3) |
| **Number of relationship managers** | | | | | | | | |
| Number of relationship managers (Switzerland) | 560 | 560 | 560 | 0 | 0 | 560 | 560 | 0 |

[1] Includes fair value losses of CHF 6 million on the Clock Finance transaction and gains of CHF 25 million related to a recovery case in 4Q12. Other periods presented relate to fair value gains/(losses) on the Clock Finance transaction.

## ASSET MANAGEMENT

### Net revenues

#### Fee-based revenues

**YoY: Up 38% from CHF 559 million to CHF 769 million**

The increase reflected higher performance fees, asset management fees and private equity placement fees. Higher performance fees were recognized primarily from single manager hedge funds and Hedging-Griffo. The higher asset management fees reflected higher average assets under management in alternative products.

**QoQ: Up 95% from CHF 394 million to CHF 769 million**

The increase primarily reflected higher performance fees, carried interest on realized private equity gains and private equity placement fees. The increase in performance fees primarily reflected annual performance fees from single manager hedge funds and semi-annual fees from Hedging-Griffo.

#### Investment-related gains/(losses)

**YoY: Up 27% from CHF 15 million to CHF 19 million**

In 4Q13, gains of CHF 19 million reflected gains in hedge fund investments. In 4Q12, gains of CHF 15 million reflected gains in hedge fund investments and the real estate sector.

**QoQ: Up from CHF (2) million to CHF 19 million**

In 4Q13, gains of CHF 19 million reflected gains in hedge fund investments.

#### Equity participations and other gains/(losses)

**YoY: Down from CHF 35 million to CHF (68) million**

In 4Q13, we recognized an impairment of CHF 68 million related to AMF. In 4Q12, we recognized a gain of CHF 45 million from the sale of Wincasa which was partially offset by an impairment of CHF 16 million related to AMF.

**QoQ: Down from CHF (18) million to CHF (68) million**

In 4Q13, we recognized the impairment related to AMF. In 3Q13, we recognized an impairment of CHF 18 million related to AMF.

### Results – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **719** | **373** | **610** | 93 | 18 | **1,994** | **1,804** | 11 |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **350** | **325** | **313** | 8 | 12 | **1,382** | **1,342** | 3 |
| **Income before taxes** | **369** | **48** | **297** | – | 24 | **612** | **462** | 32 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Cost/income ratio | 48.7 | 87.1 | 51.3 | – | – | 69.3 | 74.4 | – |
| Pre-tax income margin | 51.3 | 12.9 | 48.7 | – | – | 30.7 | 25.6 | – |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Recurring commissions and fees | 299 | 285 | 265 | 5 | 13 | 1,147 | 1,070 | 7 |
| Transaction- and performance-based revenues | 481 | 120 | 304 | 301 | 58 | 925 | 670 | 38 |
| Other revenues | (61) | (32) | 41 | 91 | – | (78) | 64 | – |
| **Net revenues** | **719** | **373** | **610** | 93 | 18 | **1,994** | **1,804** | 11 |
| **Net revenue detail by type (CHF million)** | | | | | | | | |
| Asset management fees | 299 | 285 | 265 | 5 | 13 | 1,147 | 1,070 | 7 |
| Placement, transaction and other fees | 116 | 61 | 83 | 90 | 40 | 284 | 223 | 27 |
| Performance fees and carried interest | 342 | 36 | 203 | – | 68 | 542 | 346 | 57 |
| Equity participations income | 12 | 12 | 8 | 0 | 50 | 44 | 36 | 22 |
| Fee-based revenues | 769 | 394 | 559 | 95 | 38 | 2,017 | 1,675 | 20 |
| Investment-related gains/(losses) | 19 | (2) | 15 | – | 27 | 52 | 139 | (63) |
| Equity participations and other gains/(losses) | (68) | (18) | 35 | 278 | – | (86) | (7) | – |
| Other revenues [1] | (1) | (1) | 1 | 0 | – | 11 | (3) | – |
| **Net revenues** | **719** | **373** | **610** | 93 | 18 | **1,994** | **1,804** | 11 |
| **Fee-based margin on assets under management (annualized) (bp)** | | | | | | | | |
| Fee-based margin [2] | 87 | 45 | 69 | – | – | 58 | 52 | – |

1 Includes allocated funding costs.
2 Fee-based revenues divided by average assets under management.

## Assets under management – Asset Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Assets under management (CHF billion)** | | | | | | | | |
| Hedge funds | 29.8 | 28.8 | 24.8 | 3.5 | 20.2 | 29.8 | 24.8 | 20.2 |
| Private equity | 0.6 | 0.4 | 0.4 | 50.0 | 50.0 | 0.6 | 0.4 | 50.0 |
| Real estate & commodities | 50.5 | 49.9 | 48.6 | 1.2 | 3.9 | 50.5 | 48.6 | 3.9 |
| Credit | 30.0 | 28.9 | 23.8 | 3.8 | 26.1 | 30.0 | 23.8 | 26.1 |
| Index strategies | 75.1 | 70.9 | 64.0 | 5.9 | 17.3 | 75.1 | 64.0 | 17.3 |
| Multi-asset class solutions | 104.0 | 106.9 | 103.1 | (2.7) | 0.9 | 104.0 | 103.1 | 0.9 |
| Fixed income & equities | 54.4 | 55.5 | 55.2 | (2.0) | (1.4) | 54.4 | 55.2 | (1.4) |
| Other | 7.9 | 7.7 | 5.4 | 2.6 | 46.3 | 7.9 | 5.4 | 46.3 |
| **Assets under management** | **352.3** | **349.0** | **325.3** | 0.9 | 8.3 | **352.3** | **325.3** | 8.3 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 352.5 | 346.9 | 324.7 | 1.6 | 8.6 | 346.3 | 320.1 | 8.2 |
| **Assets under management by currency (CHF billion)** | | | | | | | | |
| USD | 74.9 | 73.0 | 63.0 | 2.6 | 18.9 | 74.9 | 63.0 | 18.9 |
| EUR | 50.5 | 50.5 | 42.2 | 0.0 | 19.7 | 50.5 | 42.2 | 19.7 |
| CHF | 196.4 | 195.3 | 192.9 | 0.6 | 1.8 | 196.4 | 192.9 | 1.8 |
| Other | 30.5 | 30.2 | 27.2 | 1.0 | 12.1 | 30.5 | 27.2 | 12.1 |
| **Assets under management** | **352.3** | **349.0** | **325.3** | 0.9 | 8.3 | **352.3** | **325.3** | 8.3 |
| **Growth in assets under management (CHF billion)** | | | | | | | | |
| Net new assets [1] | (0.5) | 4.4 | 2.8 | – | – | 15.0 | (8.3) | – |
| Other effects | 3.8 | (1.5) | 0.8 | – | – | 12.0 | 14.6 | – |
| of which market movements | 6.5 | 3.9 | 3.5 | – | – | 17.7 | 24.2 | – |
| of which currency | (2.8) | (4.7) | (2.7) | – | – | (5.5) | (4.6) | – |
| of which other | 0.1 | (0.7) | 0.0 | – | – | (0.2) | (5.0) | – |
| **Growth in assets under management** | **3.3** | **2.9** | **3.6** | – | – | **27.0** | **6.3** | – |
| **Growth in assets under management (annualized) (%)** | | | | | | | | |
| Net new assets | (0.6) | 5.1 | 3.5 | – | – | 4.6 | (2.6) | – |
| Other effects | 4.4 | (1.7) | 1.0 | – | – | 3.7 | 4.6 | – |
| **Growth in assets under management (annualized)** | **3.8** | **3.4** | **4.5** | – | – | **8.3** | **2.0** | – |
| **Growth in assets under management (rolling four-quarter average) (%)** | | | | | | | | |
| Net new assets | 4.6 | 5.7 | (2.6) | – | – | – | – | – |
| Other effects | 3.7 | 2.8 | 4.6 | – | – | – | – | – |
| **Growth in assets under management (rolling four-quarter average)** | **8.3** | **8.5** | **2.0** | – | – | **–** | **–** | – |
| **Principal investments (CHF billion)** | | | | | | | | |
| Principal investments | 0.9 | 0.9 | 1.1 | 0.0 | (18.2) | 0.9 | 1.1 | (18.2) |

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

# Non-strategic results

## OVERVIEW

Our non-strategic businesses for Private Banking & Wealth Management include positions relating to the restructuring of the former Asset Management division, run-off operations relating to our small markets exit initiative and certain legacy cross-border related run-off operations, litigation costs, primarily related to the US tax matter, the impact of restructuring our German onshore operations, other smaller non-strategic positions formerly in our Corporate & Institutional Clients business and the run-off and active reduction of selected products.

### 4Q13 results

In 4Q13, our non-strategic businesses reported a loss before taxes of CHF 624 million reflecting substantially higher litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014. In 3Q13, we reported income before taxes of CHF 210 million, which included gains from the sale of former Asset Management businesses.

### Full-year 2013 results

For 2013, our non-strategic businesses reported a loss before taxes of CHF 387 million compared to CHF 401 million in 2012. Net revenues of CHF 1,008 million were significantly lower compared to 2012 due to lower recurring commissions and fees and lower transaction- and performance-based revenues, reflecting the impact of sales of non-strategic businesses during the course of the year. The results in 2013 also reflected the CHF 237 million gain on the sale of our exchange-traded funds (ETF) and secondary private equity businesses and investment-related gains of CHF 128 million, compared to the gain of CHF 384 million in 2012 on the sale of our ownership interest in Aberdeen.

Provision for credit losses was CHF 70 million in 2013 on a net loan portfolio of CHF 4 billion.

Total operating expenses were higher compared to 2012, mainly reflecting substantially higher litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014, and higher professional services fees related to the sale of businesses, partially offset by lower compensation and benefits.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **169** | **382** | **97** | (56) | 74 | **1,008** | **1,131** | (11) |
| **Provision for credit losses** | **17** | **21** | **21** | (19) | (19) | **70** | **43** | 63 |
| Compensation and benefits | 72 | 80 | 91 | (10) | (21) | 304 | 375 | (19) |
| Total other operating expenses | 704 | 71 | 103 | – | – | 1,021 | 312 | 227 |
| **Total operating expenses** | **776** | **151** | **194** | 414 | 300 | **1,325** | **687** | 93 |
| **Income/(loss) before taxes** | **(624)** | **210** | **(118)** | – | 429 | **(387)** | **401** | – |
| **Revenue details (CHF million)** | | | | | | | | |
| Restructuring of select onshore businesses | 28 | 25 | 39 | 12 | (28) | 164 | 149 | 10 |
| Legacy cross-border business and small markets | 52 | 49 | 52 | 6 | 0 | 203 | 209 | (3) |
| Restructuring of former Asset Management division | 54 | 288 | (32) | (81) | – | 534 | 660 | (19) |
| Other | 35 | 20 | 38 | 75 | (8) | 107 | 113 | (5) |
| **Net revenues** | **169** | **382** | **97** | (56) | 74 | **1,008** | **1,131** | (11) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 6,079 | 6,469 | 7,728 | (6) | (21) | 6,079 | 7,728 | (21) |
| Total assets | 20,692 | 22,197 | 23,967 | (7) | (14) | 20,692 | 23,967 | (14) |
| Swiss leverage exposure | 21,589 | 23,096 | – | (7) | – | 21,589 | – | – |

## RESULTS DETAIL

The following provides a comparison of our 4Q13 non-strategic results versus 4Q12 (YoY) and versus 3Q13 (QoQ).

### Net revenues

**YoY: Up 74% from CHF 97 million to CHF 169 million**

The increase in net revenues reflected higher investment-related gains partially offset by lower revenues resulting from the sale of businesses. Investment-related gains were CHF 26 million in 4Q13 compared to losses of CHF 90 million primarily related to the planned sale of certain private equity investments in 4Q12. These gains were partially offset by lower asset management and placement fees, primarily reflecting the sales in 3Q13 of our ETF and secondary private equity businesses.

**QoQ: Down 56% from CHF 382 million to CHF 169 million**

The decrease mainly reflected equity participation gains of CHF 237 million from the sales of our ETF and secondary private equity businesses in 3Q13.

### Operating expenses

**YoY: Up 300% from CHF 194 million to CHF 776 million**

Higher operating expenses reflected substantially higher litigation provisions of CHF 600 million in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC in February 2014, and higher professional services fees resulting from the sale of former Asset Management businesses, partially offset by lower commission and compensation expenses relating to the sales. We also recognized a goodwill impairment of CHF 12 million resulting from the creation of the non-strategic reporting unit in 4Q13.

**QoQ: Up 414% from CHF 151 million to CHF 776 million**

The higher litigation provisions, the goodwill impairment charge and higher professional services fees relating to the sales of businesses were partially offset by lower compensation expense.

### Business developments

In December 2013, we completed the sales of a limited partnership interest and a private equity business resulting in a reduction in our consolidated assets of approximately CHF 450 million and Basel III risk-weighted assets of approximately CHF 340 million.

In January 2014, we completed the sale of CFIG, our private equity fund of funds and co-investment business, to Grosvenor Capital Management. We expect to recognize a gain of approximately CHF 90 million in 1Q14.

In December 2013, we announced the sale of our domestic private banking business booked in Germany to ABN AMRO. This transaction is expected to close in the course of 2014.

# Assets under management

In **4Q13**, assets under management of CHF 1,282.4 billion increased 1.1% compared to the end of 3Q13, as positive market movements and net new assets were partially offset by adverse foreign exchange-related movements and structural effects mostly arising from disposals of businesses in the division.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 1.7 billion in 4Q13 with continued strong inflows from emerging markets, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 4.0 billion in 4Q13. Asset Management reported net asset outflows of CHF 0.5 billion in 4Q13, mainly from multi-asset class solutions and fixed income products partially offset by inflows in index strategies and credit products.

Assets under management of CHF 44.4 billion in our non-strategic portfolio relate to businesses we are exiting, including CFIG and our domestic private banking business booked in Germany.

In **2013**, assets under management of CHF 1,282.4 billion increased 2.5% compared to 2012, reflecting net new assets of CHF 32.1 billion and positive market movements, partially offset by adverse foreign exchange-related movements and structural effects.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 18.9 billion, particularly from inflows from emerging markets and our ultra-high-net-worth individual (UHNWI) client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported strong net new assets of CHF 8.8 billion. Asset Management reported significant net new assets of CHF 15.0 billion, mainly from credit, index strategies and hedge fund products, partially offset by outflows from fixed income.

In our non-strategic portfolio, assets under management declined 47.6% to CHF 44.4 billion mainly reflecting the sale of our ETF and secondary private equity businesses.

### Assets under management – Private Banking & Wealth Management

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Assets under management by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 790.7 | 782.9 | 758.0 | 1.0 | 4.3 | 790.7 | 758.0 | 4.3 |
| Corporate & Institutional Clients | 250.0 | 241.1 | 223.8 | 3.7 | 11.7 | 250.0 | 223.8 | 11.7 |
| Asset Management | 352.3 | 349.0 | 325.3 | 0.9 | 8.3 | 352.3 | 325.3 | 8.3 |
| Non-strategic | 44.4 | 48.7 | 84.7 | (8.8) | (47.6) | 44.4 | 84.7 | (47.6) |
| Assets managed across businesses [1] | (155.0) | (153.5) | (141.0) | 1.0 | 9.9 | (155.0) | (141.0) | 9.9 |
| **Assets under management** | **1,282.4** | **1,268.2** | **1,250.8** | 1.1 | 2.5 | **1,282.4** | **1,250.8** | 2.5 |
| **Average assets under management (CHF billion)** | | | | | | | | |
| Average assets under management | 1,284.6 | 1,275.8 | 1,250.0 | 0.7 | 2.8 | 1,291.2 | 1,224.7 | 5.4 |
| **Net new assets by business (CHF billion)** | | | | | | | | |
| Wealth Management Clients | 1.7 | 3.8 | 3.6 | (55.3) | (52.8) | 18.9 | 20.6 | (8.3) |
| Corporate & Institutional Clients | 4.0 | 0.5 | 1.1 | – | 263.6 | 8.8 | 1.5 | 486.7 |
| Asset Management | (0.5) | 4.4 | 2.8 | – | – | 15.0 | (8.3) | – |
| Non-strategic | (1.0) | (1.2) | (0.9) | (16.7) | 11.1 | (5.9) | (2.1) | 181.0 |
| Assets managed across businesses [1] | 0.2 | 0.6 | 0.2 | (66.7) | 0.0 | (4.7) | (0.9) | 422.2 |
| **Net new assets** | **4.4** | **8.1** | **6.8** | (45.7) | (35.3) | **32.1** | **10.8** | 197.2 |

1 Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

# Investment Banking

In 4Q13, Investment Banking reported a loss before taxes of CHF 564 million. Results reflect solid performance in our strategic businesses and an increased loss before taxes in our non-strategic businesses, driven by significantly increased litigation provisions in connection with mortgage-related matters. In our strategic businesses, net revenues declined 5% compared to 4Q12, as lower client trading activity in our fixed income business and lower advisory results offset improved performance from our equities franchise. Compared to 3Q13, our strategic businesses delivered resilient revenues reflecting solid results in our equities and underwriting franchises. Our non-strategic businesses reported a loss before taxes of CHF 1,032 million, including litigation provisions in connection with the agreement with the Federal Housing Finance Agency (FHFA) on March 21, 2014 to settle certain litigation relating to mortgage-backed securities.

For full year 2013, total Investment Banking income before taxes was CHF 1,719 million, with net revenues of CHF 12,565 million. Our income before taxes decreased by 14% while revenues remained stable. We also reported lower leverage levels and capital usage from 2012. Our strategic businesses reported income before taxes of CHF 3,853 million and net revenues of CHF 13,164 million. Our non-strategic businesses reported a loss before taxes of CHF 2,134 million, including the litigation provisions in connection with the agreement with the FHFA and net revenue losses of CHF 599 million.

As of the end of 4Q13, we reported total assets of USD 565 billion, exceeding our Investment Banking balance sheet target of less than USD 600 billion of assets by year-end 2013. Additionally, we reported Swiss leverage exposure of USD 812 billion, exceeding our target of less than USD 840 billion by year-end 2013.

In 2013, we reduced risk-weighted assets under Basel III by USD 11 billion to USD 176 billion as of the end of 4Q13, compared to our year-end target of USD 175 billion. Business reductions of USD 27 billion were partially offset by increases of USD 10 billion from methodology changes and parameter updates and an operational risk add-on in 4Q13 of USD 6 billion.

## Divisional results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **2,668** | **2,552** | **2,664** | 5 | 0 | **12,565** | **12,558** | 0 |
| of which strategic results | 2,795 | 2,748 | 2,950 | 2 | (5) | 13,164 | 13,385 | (2) |
| of which non-strategic results | (127) | (196) | (286) | (35) | (56) | (599) | (827) | (28) |
| **Provision for credit losses** | **8** | **7** | **2** | 14 | 300 | **13** | **(12)** | – |
| Compensation and benefits | 1,355 | 1,129 | 1,172 | 20 | 16 | 5,435 | 6,070 | (10) |
| General and administrative expenses | 1,667 | 961 | 941 | 73 | 77 | 4,477 | 3,551 | 26 |
| Commission expenses | 202 | 226 | 251 | (11) | (20) | 921 | 947 | (3) |
| Total other operating expenses | 1,869 | 1,187 | 1,192 | 57 | 57 | 5,398 | 4,498 | 20 |
| **Total operating expenses** | **3,224** | **2,316** | **2,364** | 39 | 36 | **10,833** | **10,568** | 3 |
| of which strategic results | 2,319 | 2,070 | 2,197 | 12 | 6 | 9,300 | 9,970 | (7) |
| of which non-strategic results | 905 | 246 | 167 | 268 | 442 | 1,533 | 598 | 156 |
| **Income/(loss) before taxes** | **(564)** | **229** | **298** | – | – | **1,719** | **2,002** | (14) |
| of which strategic results | 468 | 671 | 750 | (30) | (38) | 3,853 | 3,427 | 12 |
| of which non-strategic results | (1,032) | (442) | (452) | 133 | 128 | (2,134) | (1,425) | 50 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on Basel III capital [1] | – | 4.0 | 5.1 | – | – | 7.5 | 7.8 | – |
| Cost/income ratio | 120.8 | 90.8 | 88.7 | – | – | 86.2 | 84.2 | – |
| Pre-tax income margin | (21.1) | 9.0 | 11.2 | – | – | 13.7 | 15.9 | – |
| **Utilized economic capital and return** | | | | | | | | |
| Average utilized economic capital (CHF million) | 19,905 | 19,666 | 19,228 | 1 | 4 | 19,910 | 20,241 | (2) |
| Pre-tax return on average utilized economic capital (%) [2] | (10.8) | 5.2 | 6.9 | – | – | 9.1 | 10.6 | – |
| **Number of employees (full-time equivalents)** | | | | | | | | |
| Number of employees | 19,700 | 20,000 | 19,800 | (2) | (1) | 19,700 | 19,800 | (1) |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 4Q13 and 3Q13, 27% in 2013, 25% in 4Q12 and 2012 and capital allocated at 10% of average risk-weighted assets.
[2] Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

| | in / end of | | | % change | | in / end of | | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Net revenue detail (CHF million)** | | | | | | | | |
| Debt underwriting | 482 | 424 | 508 | 14 | (5) | 1,902 | 1,617 | 18 |
| Equity underwriting | 273 | 129 | 167 | 112 | 63 | 766 | 552 | 39 |
| Total underwriting | 755 | 553 | 675 | 37 | 12 | 2,668 | 2,169 | 23 |
| Advisory and other fees | 194 | 152 | 307 | 28 | (37) | 658 | 1,042 | (37) |
| **Total underwriting and advisory** | **949** | **705** | **982** | 35 | (3) | **3,326** | **3,211** | 4 |
| Fixed income sales and trading | 746 | 833 | 887 | (10) | (16) | 4,823 | 5,349 | (10) |
| Equity sales and trading | 1,050 | 1,065 | 910 | (1) | 15 | 4,750 | 4,330 | 10 |
| **Total sales and trading** | **1,796** | **1,898** | **1,797** | (5) | 0 | **9,573** | **9,679** | (1) |
| Other | (77) | (51) | (115) | 51 | (33) | (334) | (332) | 1 |
| **Net revenues** | **2,668** | **2,552** | **2,664** | 5 | 0 | **12,565** | **12,558** | 0 |
| **Average one-day, 98% risk management Value-at-Risk (CHF million)** | | | | | | | | |
| Interest rate & credit spread | 35 | 38 | 44 | (8) | (20) | 40 | 53 | (25) |
| Foreign exchange | 9 | 9 | 9 | 0 | 0 | 9 | 15 | (40) |
| Commodity | 2 | 2 | 2 | 0 | 0 | 2 | 3 | (33) |
| Equity | 17 | 15 | 19 | 13 | (11) | 16 | 23 | (30) |
| Diversification benefit | (23) | (23) | (31) | 0 | (26) | (26) | (39) | (33) |
| **Average one-day, 98% risk management Value-at-Risk** | **40** | **41** | **43** | (2) | (7) | **41** | **55** | (25) |

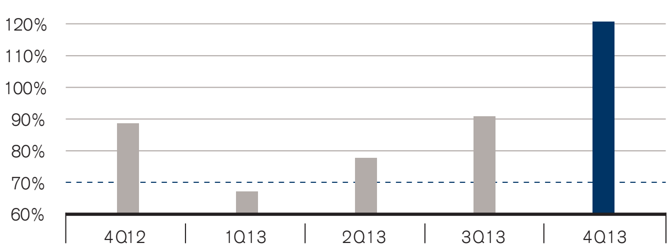
### KEY PERFORMANCE INDICATORS

We target a divisional cost/income ratio of 70% for the Investment Banking division. The cost/income ratio was 120.8% in 4Q13, compared to 90.8% in 3Q13 and 88.7% in 4Q12. The cost/income ratio for our strategic results was 83.0% in 4Q13, compared to 74.5% in 4Q12 and 75.3% in 3Q13.

▸ Refer to "Key performance indicators" in Core Results for further information.

### Cost/income ratio (KPI)

Investment Banking




--- Target is a cost/income ratio of 70%.

### Strategic and non-strategic results

| | Strategic results | | | Non-strategic results | | | Investment Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| in / end of | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **2,795** | **2,748** | **2,950** | **(127)** | **(196)** | **(286)** | **2,668** | **2,552** | **2,664** |
| **Provision for credit losses** | **8** | **7** | **3** | **0** | **0** | **(1)** | **8** | **7** | **2** |
| Compensation and benefits | 1,335 | 1,094 | 1,139 | 20 | 35 | 33 | 1,355 | 1,129 | 1,172 |
| Total other operating expenses | 984 | 976 | 1,058 | 885 | 211 | 134 | 1,869 | 1,187 | 1,192 |
| **Total operating expenses** | **2,319** | **2,070** | **2,197** | **905** | **246** | **167** | **3,224** | **2,316** | **2,364** |
| **Income/(loss) before taxes** | **468** | **671** | **750** | **(1,032)** | **(442)** | **(452)** | **(564)** | **229** | **298** |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | | |
| Risk-weighted assets – Basel III | 138,853 | 134,946 | 150,259 | 17,549 | 17,692 | 21,252 | 156,402 | 152,638 | 171,511 |
| Risk-weighted assets – Basel III (USD) | 156,041 | 149,236 | 164,199 | 19,721 | 19,565 | 23,224 | 175,762 | 168,801 | 187,423 |
| Total assets | 475,516 | 497,988 | 529,652 | 27,283 | 30,774 | 34,106 | 502,799 | 528,762 | 563,758 |
| Swiss leverage exposure | 644,800 | 696,812 | – | 77,700 | 84,413 | – | 722,500 | 781,225 | – |

# Strategic results

## OVERVIEW

### 4Q13 results

In 4Q13, our strategic businesses reported income before taxes of CHF 468 million and net revenues of CHF 2,795 million.

Fixed income sales and trading revenues declined from 4Q12, reflecting continued low client trading activity, particularly in global macro products, which includes our rates, foreign exchange and commodities businesses. Revenues also declined compared to 3Q13 due to lower client trading activity in leveraged finance, emerging markets and rates businesses.

Equity sales and trading revenues increased from 4Q12 reflecting continued market leadership, higher equity values and increased client activity. Compared to 3Q13, equity sales and trading revenues were stable.

Underwriting and advisory results were lower compared to 4Q12 as robust equity underwriting performance was offset by lower debt underwriting and advisory revenues. Compared to 3Q13, revenues increased substantially driven by strong equity underwriting issuance activity as well as higher debt underwriting and advisory results.

Compensation and benefits increased compared to both 4Q12 and 3Q13 driven by higher discretionary performance-related compensation expense. Total other operating expenses declined 7% compared to 4Q12 and were stable compared to 3Q13.

Results in 4Q13 were impacted by the weakening of the average rate of the US dollar against the Swiss franc, compared to 4Q12 and 3Q13, which adversely impacted revenues and favorably impacted expenses. Compared to 4Q12, revenues declined 5% and total operating expenses increased 6% in Swiss francs while revenues declined 2% and total operating expenses increased 9% in US dollars. Compared to 3Q13, revenues were up 2% and total operating expenses increased 12% in Swiss francs while revenues increased 5% and expenses increased 14% in US dollars.

As of the end of 4Q13, we reported risk-weighted assets under Basel III of USD 156 billion reflecting further progress in reducing our risk-weighted assets. We reduced risk-weighted assets under Basel III by USD 8 billion from 4Q12, as USD 22 billion of business reductions offset increases of USD 8 billion due to methodology changes and parameter updates and an operational risk add-on of USD 6 billion in 4Q13. Additionally, we reported Swiss leverage exposure in our strategic businesses of USD 725 billion, a reduction of USD 46 billion, or 6% from 3Q13.

### Full-year 2013 results

The transformed Investment Banking division delivered strong profitability in 2013 on slightly lower revenues, a reduced cost base and lower leverage and capital usage.

Revenues in our strategic businesses were slightly lower as strong performance in our equities, credit and underwriting franchises were offset by lower rates and advisory results. Fixed income sales and trading revenues declined 15% compared to 2012, reflecting difficult trading conditions. Specifically, global macro products revenues declined substantially, primarily in rates, driven by reduced client activity and low trading volumes throughout the year. Emerging markets revenues also declined driven by lower financing and origination activity due to less favorable market conditions. Securitized products revenues decreased as higher asset finance origination was more than offset by lower agency security trading activities. These declines were partially offset by strong global credit products revenues driven by significantly higher revenues in our leveraged finance franchise.

## Strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| Debt underwriting | 483 | 424 | 508 | 14 | (5) | 1,902 | 1,617 | 18 |
| Equity underwriting | 274 | 129 | 167 | 112 | 64 | 766 | 552 | 39 |
| Total underwriting | 757 | 553 | 675 | 37 | 12 | 2,668 | 2,169 | 23 |
| Advisory and other fees | 194 | 152 | 307 | 28 | (37) | 658 | 1,042 | (37) |
| **Total underwriting and advisory** | **951** | **705** | **982** | 35 | (3) | **3,326** | **3,211** | 4 |
| Fixed income sales and trading | 808 | 1,030 | 1,180 | (22) | (32) | 5,300 | 6,221 | (15) |
| Equity sales and trading | 1,070 | 1,095 | 900 | (2) | 19 | 4,849 | 4,285 | 13 |
| **Total sales and trading** | **1,878** | **2,125** | **2,080** | (12) | (10) | **10,149** | **10,506** | (3) |
| Other | (34) | (82) | (112) | (59) | (70) | (311) | (332) | (6) |
| **Net revenues** | **2,795** | **2,748** | **2,950** | 2 | (5) | **13,164** | **13,385** | (2) |
| **Provision for credit losses** | **8** | **7** | **3** | 14 | 167 | **11** | **(12)** | – |
| Compensation and benefits | 1,335 | 1,094 | 1,139 | 22 | 17 | 5,326 | 5,881 | (9) |
| General and administrative expenses | 790 | 754 | 810 | 5 | (2) | 3,078 | 3,149 | (2) |
| Commission expenses | 194 | 222 | 248 | (13) | (22) | 896 | 940 | (5) |
| Total other operating expenses | 984 | 976 | 1,058 | 1 | (7) | 3,974 | 4,089 | (3) |
| **Total operating expenses** | **2,319** | **2,070** | **2,197** | 12 | 6 | **9,300** | **9,970** | (7) |
| **Income before taxes** | **468** | **671** | **750** | (30) | (38) | **3,853** | **3,427** | 12 |
| **Statement of operations metrics (%)** | | | | | | | | |
| Return on Basel III capital [1] | 9.5 | 13.4 | 14.6 | – | – | 19.0 | 15.6 | – |
| Cost/income ratio | 83.0 | 75.3 | 74.5 | – | – | 70.6 | 74.5 | – |
| Pre-tax income margin | 16.7 | 24.4 | 25.4 | – | – | 29.3 | 25.6 | – |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 138,853 | 134,946 | 150,259 | 3 | (8) | 138,853 | 150,259 | (8) |
| Risk-weighted assets – Basel III (USD) | 156,041 | 149,236 | 164,199 | 5 | (5) | 156,041 | 164,199 | (5) |
| Total assets | 475,516 | 497,988 | 529,652 | (5) | (10) | 475,516 | 529,652 | (10) |
| Swiss leverage exposure | 644,800 | 696,812 | – | (7) | – | 644,800 | – | – |

[1] Calculated using income after tax denominated in USD; assumes tax rate of 30% in 4Q13 and 3Q13, 28% in 2013, 25% in 4Q12 and 2012 and capital allocated at 10% of average risk-weighted assets.

Equity sales and trading revenues increased 13%, reflecting continued market leadership and increased client activity notwithstanding reduced balance sheet usage. The gains included higher revenues in derivatives, systematic market making and cash equities, partially offset by lower prime services and fund-linked products results. Underwriting and advisory results increased reflecting significantly higher debt underwriting results. In addition equity underwriting results were significantly higher, driven by substantially higher revenues from IPOs and follow-on offerings. These increases were partially offset by significantly lower advisory revenues, reflecting a decline in the total industry M&A fee pool.

Total operating expenses were CHF 9,300 million, down 7% from 2012. Compensation and benefits of CHF 5,326 million decreased by CHF 555 million, or 9%, from 2012, primarily reflecting lower deferred compensation expense from prior-year awards as 2012 included 2011 Partner Asset Facility (PAF2) expenses of CHF 411 million. Total other operating expenses of CHF 3,974 million were down 3% compared to 2012.

The following provides a comparison of our strategic 4Q13 results versus 4Q12 (YoY) and versus 3Q13 (QoQ).

### Net revenues

#### Debt underwriting

**YoY: Down 5% from CHF 508 million to CHF 483 million**

The decrease was primarily due to lower results in leveraged finance as market share gains were more than offset by lower global high yield industry-wide issuance volumes. The decrease was partially offset by higher investment grade results, as market share gains more than offset lower global industry-wide issuance volumes. We also had higher structured credit revenues.

**QoQ: Up 14% from CHF 424 million to CHF 483 million**

The increase was due to higher revenues from leveraged finance, despite slightly lower high yield industry volumes. Results included lower investment grade revenues as an increase in global industry-wide issuance volumes was more than offset by lower market share. We also had lower emerging markets revenues driven by weaker structured lending results.

### Equity underwriting

**YoY: Up 64% from CHF 167 million to CHF 274 million**

The improvement was driven by strong performance across most major equity markets. We had substantially higher revenues from IPOs, as higher global industry-wide issuance activity more than offset lower market share. We also had significantly higher revenues from follow-on offerings driven by higher global industry-wide issuance activity.

**QoQ: Up 112% from CHF 129 million to CHF 274 million**

The increase was due to substantially higher revenues from IPOs and improved convertibles results reflecting significantly higher global industry-wide issuance activity partly offset by lower market share in both products. We also had higher revenues from follow-on offerings reflecting stronger global industry-wide issuance activity.

### Advisory and other fees

**YoY: Down 37% from CHF 307 million to CHF 194 million**

The decrease was primarily due to significantly lower M&A fees reflecting a decline in the total industry fee pool. We also had lower global completed M&A market share.

**QoQ: Up 28% from CHF 152 million to CHF 194 million**

The increase was driven by higher M&A fees as an improvement in global industry-wide completed M&A volumes more than offset lower global completed M&A market share.

### Fixed income sales and trading

**YoY: Down 32% from CHF 1,180 million to CHF 808 million**

Fixed income revenues declined significantly reflecting lower client trading volumes particularly in global macro products, primarily due to substantially weaker global rates revenues, as well as lower foreign exchange and commodities results. Lower revenues in securitized products were driven by lower client trading activity in non-agency and agency securities, partially offset by stronger asset finance performance due to higher origination volumes. Corporate lending revenues also declined. Emerging markets revenues decreased, as an improved financing environment was offset by lower trading and origination activity in Brazil and Europe, Middle East and Africa (EMEA). Global credit products revenues were slightly lower reflecting higher trading activity offset by lower origination results. At the end of the quarter, fixed income risk-weighted assets under Basel III totaled USD 91 billion, a reduction of USD 10 billion, or 10%, from a year ago.

**QoQ: Down 22% from CHF 1,030 million to CHF 808 million**

Fixed income sales and trading revenues declined, reflecting reduced client trading activity. The decrease primarily reflected lower global credit products revenues due to significantly lower leveraged finance revenues. Emerging markets revenues were also lower reflecting volatile trading conditions in Brazil and EMEA. Global macro products revenues declined, primarily driven by lower rates revenues, though commodities and foreign exchange performance improved from subdued 3Q13 levels. The declines were partially offset by strong securitized products results driven by significantly higher agency performance. Fixed income risk-weighted assets under Basel III increased USD 3 billion, or 3%, from 3Q13.

### Equity sales and trading

**YoY: Up 19% from CHF 900 million to CHF 1,070 million**

Increased results reflected continued market leadership, higher equity values and increased client activity. The increase was primarily driven by substantially higher derivatives revenues due to robust client activity and strong performance in Asia. We also had higher results from systematic market making driven by improved global coverage and significant market events including quantitative easing in Japan and strong US equity markets that resulted in higher global equity volumes. Cash equities revenues increased driven by market share gains and more favorable trading conditions. Prime services revenues were resilient, albeit lower, reflecting sustained market leadership and increased client balances.

**QoQ: Down 2% from CHF 1,095 to CHF 1,070 million**

Results reflected higher derivatives revenues driven by higher industry trading volumes and higher cash equities results due to both higher industry volumes and market share gains in the US. These increases were offset by lower prime services revenues reflecting lower financing revenues.

## Operating expenses

### Compensation and benefits

**YoY: Up 17% from CHF 1,139 million to CHF 1,335 million**

The increase was driven by higher discretionary performance-related compensation expense due to variable compensation accruals reflecting 2013 full-year results. This increase was partially offset by lower salaries, reflecting lower headcount.

**QoQ: Up 22% from CHF 1,094 million to CHF 1,335 million**

The increase was primarily due to higher discretionary performance-related compensation expense due to variable compensation accrual based on full-year results.

### General and administrative expenses

**YoY: Down 2% from CHF 810 million to CHF 790 million**

The decrease was primarily driven by lower technology costs and lower litigation provisions.

**QoQ: Up 5% from CHF 754 million to CHF 790 million**

The increase was primarily driven by higher legal and other professional fees. These increases were partially offset by lower litigation provisions.

# Non-strategic results

## OVERVIEW

Non-strategic results for Investment Banking include the fixed income wind-down portfolio, legacy rates business, primarily capital instruments that are not compliant with the Basel III capital framework and capital-intensive structured positions, legacy funding costs associated with non-Basel III compliant debt instruments, as well as certain legacy litigation costs and other small non-strategic positions.

### 4Q13 results

In 4Q13, we reported a loss before taxes of CHF 1,032 million and net revenue losses of CHF 127 million. Total operating expenses increased compared to 4Q12 and 3Q13, reflecting significantly higher litigation provisions, primarily in connection with mortgage-related matters of CHF 806 million. Net revenue losses were lower compared to 4Q12 and 3Q13, driven by portfolio valuation gains, particularly in our legacy fixed income wind-down portfolio, reflecting various portfolio management measures.

As of the end of 4Q13, we reported risk-weighted assets under Basel III of USD 20 billion, down USD 3 billion from the end of 4Q12. This compares to our target of USD 6 billion by year-end 2015. Additionally, we reported Swiss leverage exposure of USD 87 billion, a reduction of USD 6 billion, or 6% from 3Q13. This compares to our target of USD 24 billion in Swiss leverage exposure by year-end 2015.

### Full-year 2013 results

Results reflected net revenue losses of CHF 599 million in 2013 compared to net revenue losses of CHF 827 million in 2012, driven by portfolio valuation gains and lower funding costs. Total operating expenses increased, primarily driven by significantly higher litigation provisions. In 2013, we reduced risk-weighted assets under Basel III by USD 3 billion to USD 20 billion from the end of 2012.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(127)** | **(196)** | **(286)** | (35) | (56) | **(599)** | **(827)** | (28) |
| **Provision for credit losses** | **0** | **0** | **(1)** | – | 100 | **2** | **0** | **–** |
| Compensation and benefits | 20 | 35 | 33 | (43) | (39) | 109 | 189 | (42) |
| Total other operating expenses | 885 | 211 | 134 | 319 | – | 1,424 | 409 | 248 |
| of which litigation | 842 | 150 | 78 | 461 | – | 1,220 | 192 | – |
| **Total operating expenses** | **905** | **246** | **167** | 268 | 442 | **1,533** | **598** | 156 |
| **Income/(loss) before taxes** | **(1,032)** | **(442)** | **(452)** | 133 | 128 | **(2,134)** | **(1,425)** | 50 |
| **Revenue details (CHF million)** | | | | | | | | |
| Fixed income wind-down | 60 | (66) | (132) | – | – | (32) | (597) | (95) |
| Legacy rates business | (1) | (8) | (59) | (88) | (98) | 12 | 40 | (70) |
| Legacy funding costs | (93) | (95) | (103) | (2) | (10) | (382) | (417) | (8) |
| Other | (93) | (27) | 8 | 244 | – | (197) | 147 | – |
| **Net revenues** | **(127)** | **(196)** | **(286)** | (35) | (56) | **(599)** | **(827)** | (28) |
| **Balance sheet statistics (CHF million, except where indicated)** | | | | | | | | |
| Risk-weighted assets – Basel III | 17,549 | 17,692 | 21,252 | (1) | (17) | 17,549 | 21,252 | (17) |
| Risk-weighted assets – Basel III (USD) | 19,721 | 19,565 | 23,224 | 1 | (15) | 19,721 | 23,224 | (15) |
| Total assets | 27,283 | 30,774 | 34,106 | (11) | (20) | 27,283 | 34,106 | (20) |
| Swiss leverage exposure | 77,700 | 84,413 | – | (8) | – | 77,700 | – | – |

The following provides a comparison of our non-strategic 4Q13 results versus 4Q12 (YoY) and versus 3Q13 (QoQ).

### Net revenues

**YoY: Up 56% from CHF (286) million to CHF (127) million**

We had reduced net revenue losses driven by significant valuation gains, particularly in our fixed income wind-down portfolio and our legacy rates business, driven by various portfolio management measures. At the end of the quarter, risk-weighted assets under Basel III totaled USD 20 billion, a reduction of USD 3 billion.

**QoQ: Up 35% from CHF (196) million to CHF (127) million**

Results reflected reduced net revenue losses driven by significant valuation gains, particularly in our fixed income wind-down portfolio and legacy rates business, driven by various portfolio management measures. At the end of the quarter, risk-weighted assets under Basel III of USD 20 billion were flat compared to 3Q13.

### Total operating expenses

**YoY: Up 442% from CHF 167 million to CHF 905 million**

The increase was driven by significantly higher litigation provisions, primarily CHF 806 million in connection with mortgage-related matters in 4Q13, including in connection with the March 2014 FHFA settlement.

**QoQ: Up 268% from CHF 246 million to CHF 905 million**

The increase was driven by higher other operating expenses in 4Q13, reflecting the higher litigation provisions.

# Corporate Center

In 4Q13, we recorded a loss before taxes of CHF 389 million, primarily reflecting fair value losses from movements in own credit spreads and business realignment costs. These negative impacts were partially offset by gains from the sale of real estate.

For 2013, we reported a loss before taxes of CHF 1,455 million, primarily reflecting business realignment costs, fair value losses from movements in own credit spreads, reclassifications to discontinued operations and gains from the sale of real estate.

## Corporate Center Results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(177)** | **(419)** | **(351)** | (58) | (50) | **(790)** | **(2,781)** | (72) |
| **Provision for credit losses** | **1** | **0** | **0** | – | – | **2** | **0** | – |
| Compensation and benefits | 119 | 115 | 169 | 3 | (30) | 455 | 636 | (28) |
| General and administrative expenses | 109 | 21 | 315 | 419 | (65) | 196 | 464 | (58) |
| Commission expenses | (17) | 4 | (11) | – | 55 | 12 | 8 | 50 |
| Total other operating expenses | 92 | 25 | 304 | 268 | (70) | 208 | 472 | (56) |
| **Total operating expenses** | **211** | **140** | **473** | 51 | (55) | **663** | **1,108** | (40) |
| **Loss before taxes** | **(389)** | **(559)** | **(824)** | (30) | (53) | **(1,455)** | **(3,889)** | (63) |
| **Balance sheet statistics (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III [1] | 15,306 | 15,984 | 16,590 | (4) | (8) | 15,306 | 16,590 | (8) |
| Total assets | 87,244 | 86,886 | 80,733 | 0 | 8 | 87,244 | 80,733 | 8 |
| Swiss leverage exposure | 83,622 | 79,231 | – | 6 | – | 83,622 | – | – |

[1] Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and Non-strategic results

| | Strategic results | | | Non-strategic results | | | Corporate Center | | |
|---|---|---|---|---|---|---|---|---|---|
| in | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Statements of operations (CHF million)** | | | | | | | | | |
| **Net revenues** | **(17)** | **10** | **(84)** | **(160)** | **(429)** | **(267)** | **(177)** | **(419)** | **(351)** |
| **Provision for credit losses** | **1** | **0** | **0** | **0** | **0** | **0** | **1** | **0** | **0** |
| Compensation and benefits | 22 | 77 | (13) | 97 | 38 | 182 | 119 | 115 | 169 |
| Total other operating expenses | 28 | 22 | 17 | 64 | 3 | 287 | 92 | 25 | 304 |
| **Total operating expenses** | **50** | **99** | **4** | **161** | **41** | **469** | **211** | **140** | **473** |
| **Income/(loss) before taxes** | **(68)** | **(89)** | **(88)** | **(321)** | **(470)** | **(736)** | **(389)** | **(559)** | **(824)** |

### RESULTS OVERVIEW

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

Corporate Center separately presents non-strategic items, which management does not consider representative of our core performance.

▸ Refer to "Strategic development of our businesses" in Credit Suisse – Information and developments – Format of presentation and changes in reporting for further information on non-strategic items.

**In 4Q13**, losses before taxes of CHF 389 million improved from losses before taxes of CHF 824 in 4Q12, mainly reflecting litigation provisions of CHF 227 million in 4Q12, as well as lower fair value losses on own credit spreads in 4Q13 of CHF 202 million compared to CHF 376 million in 4Q12. The fair value losses on own long-term vanilla debt reflected the narrowing of credit spreads on senior and subordinated debt across most currencies. 4Q13 results also included lower business realignment costs of CHF 131 million, compared to CHF 285 million in 4Q12. The business realignment costs primarily consisting of severance and other compensation expenses relating to Group-wide cost efficiency initiatives. The improvement in 4Q13 results was partly offset by lower gains on sale of real estate of CHF 68 million in 4Q13, compared to CHF 151 million in 4Q12 and IT architecture simplification costs of CHF 69 million in 4Q13.

**For full year 2013,** losses before taxes of CHF 1,455 million improved from losses before taxes of CHF 3,889 million in 2012, mainly reflecting lower fair value losses on own credit spreads of CHF 315 million, compared to CHF 2,939 million in 2012. 2013 results also included lower business realignment costs of CHF 394 million, compared to CHF 680 million in 2012. Business realignment costs in 2013 primarily consisted of severance and other compensation expenses relating to Group-wide cost efficiency initiatives. 2012 results included litigation provisions related to National Century Financial Enterprises, with no litigation provisions in Corporate Center in 2013. The improvement in 2013 results was partly offset by lower gains on sale of real estate of CHF 68 million in 2013, compared to CHF 533 million in 2012 and IT architecture simplification costs of CHF 128 million in 2013. Additionally, Corporate Center's 2013 results included losses of CHF 220 million comprising reclassifications to discontinued operations of revenues and expenses relating to the sales of our ETF and secondary private equity businesses and of our CFIG business, which was completed in January 2014, and the announced sale of our domestic private banking business booked in Germany.

## Non-strategic results

| | | | in / end of | | % change | | in / end of | % change |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY | **2013** | 2012 | YoY |
| **Statements of operations (CHF million)** | | | | | | | | |
| **Net revenues** | **(160)** | **(429)** | **(267)** | (63) | (40) | **(735)** | **(2,546)** | (71) |
| **Provision for credit losses** | **0** | **0** | **0** | – | – | **0** | **0** | – |
| **Total operating expenses** | **161** | **41** | **469** | 293 | (66) | **372** | **809** | (54) |
| **Income/(loss) before taxes** | **(321)** | **(470)** | **(736)** | (32) | (56) | **(1,107)** | **(3,355)** | (67) |
| of which fair value impact from movements in own credit spreads | (202) | (163) | (376) | 24 | (46) | (315) | (2,939) | (89) |
| of which realignment costs [1] | (131) | (38) | (285) | 245 | (54) | (394) | (680) | (42) |
| of which IT architecture simplification expenses | (69) | (40) | – | 73 | – | (128) | – | – |
| of which real estate sales | 68 | – | 151 | – | (55) | 68 | 533 | (87) |
| of which litigation provisions [2] | – | – | (227) | – | 100 | – | (227) | 100 |
| of which legacy funding costs [3] | 6 | (20) | (21) | – | – | (57) | (85) | (33) |
| of which reclassifications to discontinued operations [4] | 5 | (213) | 15 | – | (67) | (220) | 9 | – |
| of which other non-strategic items | 2 | 4 | 7 | (50) | (71) | (61) | 34 | – |

[1] Business realignment costs relating to divisional realignment costs are prospectively presented in the relevant divisional non-strategic results beginning in 4Q13.
[2] Represents litigation provisions related to National Century Financial Enterprises.
[3] Represents legacy funding costs associated with non-Basel III compliant debt instruments.
[4] Includes reclassifications to discontinued operations of revenues and expenses arising from the sale of ETF, secondary private equity and CFIG businesses and the announced sale of domestic private banking business booked in Germany.

## Impact from movements in own credit spreads

Our Core Results revenues are impacted by changes in credit spreads on fair-valued Credit Suisse long-term vanilla debt and debit valuation adjustments (DVA) relating to certain structured notes liabilities carried at fair value. Our Core Results are also impacted by fair value gains/(losses) on stand-alone derivatives relating to certain of our funding liabilities and reflect the volatility of cross-currency swaps and yield curve volatility and, over the life of the derivatives, will result in no net gains/(losses). These fair value gains/(losses) are recorded in the Corporate Center.

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| Fair value gains/(losses) from movements in own credit spreads | (202) | (163) | (376) | (315) | (2,939) |
| of which fair value gains/(losses) on own long-term vanilla debt | (180) | (68) | (197) | (268) | (1,663) |
| of which fair value gains/(losses) from DVA on structured notes | (69) | (99) | (120) | (130) | (958) |
| of which fair value gains/(losses) on stand-alone derivatives | 47 | 4 | (59) | 83 | (318) |

# Assets under management

We had net asset inflows from continuing operations of CHF 4.2 billion during 4Q13 and assets under management from continuing operations of CHF 1,253.4 billion as of the end of 4Q13.

**Assets under management**

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

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic business are reported in each applicable business and eliminated at the divisional level.

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

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

Assets under management from continuing operations of CHF 1,253.4 billion increased 1.1% compared to the end of 3Q13, as positive market movements and net new assets were partially offset by adverse foreign exchange-related movement. Compared to the end of 4Q12, assets under management from continuing operations were CHF 55.6 billion higher, reflecting net new assets of CHF 36.1 billion and positive market movements, partially offset by adverse foreign exchange-related movements and structural effects.

▸ Refer to "Private Banking & Wealth Management" in I – Credit Suisse results and "Note 36 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information.

## Assets under management and client assets

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Assets under management (CHF billion)** | | | | | |
| Wealth Management Clients | 790.7 | 782.9 | 758.0 | 1.0 | 4.3 |
| Corporate & Institutional Clients | 250.0 | 241.1 | 223.8 | 3.7 | 11.7 |
| Asset Management [1] | 352.3 | 349.0 | 325.3 | 0.9 | 8.3 |
| Non-strategic | 44.4 | 48.7 | 84.7 | (8.8) | (47.6) |
| Assets managed across businesses [2] | (155.0) | (153.5) | (141.0) | 1.0 | 9.9 |
| **Assets under management** | **1,282.4** | **1,268.2** | **1,250.8** | **1.1** | **2.5** |
| of which continuing operations | 1,253.4 | 1,239.3 | 1,197.8 | 1.1 | 4.6 |
| of which discontinued operations | 29.0 | 28.9 | 53.0 | 0.3 | (45.3) |
| **Assets under management from continuing operations** | **1,253.4** | **1,239.3** | **1,197.8** | **1.1** | **4.6** |
| of which discretionary assets | 397.6 | 393.3 | 365.5 | 1.1 | 8.8 |
| of which advisory assets | 855.8 | 846.0 | 832.3 | 1.2 | 2.8 |
| **Client assets (CHF billion)** | | | | | |
| Wealth Management Clients | 904.5 | 895.7 | 870.1 | 1.0 | 4.0 |
| Corporate & Institutional Clients | 353.3 | 342.3 | 323.0 | 3.2 | 9.4 |
| Asset Management [1] | 352.3 | 349.0 | 325.3 | 0.9 | 8.3 |
| Non-strategic | 51.8 | 55.9 | 88.0 | (7.3) | (41.1) |
| Assets managed across businesses [2] | (155.0) | (153.5) | (141.0) | 1.0 | 9.9 |
| **Client Assets** | **1,506.9** | **1,489.4** | **1,465.4** | **1.2** | **2.8** |
| of which continuing operations | 1,477.5 | 1,460.0 | 1,411.8 | 1.2 | 4.7 |
| of which discontinued operations | 29.4 | 29.4 | 53.6 | 0.0 | (45.1) |

[1] Excludes our portion of assets under management from our former investment in Aberdeen.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

### Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

### Net new assets

Net new assets include individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not included as they do not reflect success in acquiring assets under management. Furthermore, changes due to foreign exchange-related and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

We recorded net new assets from continuing operations of CHF 4.2 billion in 4Q13.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 1.7 billion in 4Q13 with continued strong inflows from emerging markets partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported net new assets of CHF 4.0 billion in 4Q13. Asset Management reported net asset outflows of CHF 0.5 billion in 4Q13, mainly from multi-asset class solutions and fixed income products partially offset by inflows in index strategies and credit products. In our non-strategic portfolio, net asset outflows of CHF 1.0 billion reflected the exit of certain businesses, of which CHF 0.2 billion were classified as discontinued operations.

In 2013, we recorded net new assets of CHF 36.1 billion from continuing operations.

In our strategic portfolio, Wealth Management Clients contributed net new assets of CHF 18.9 billion, particularly with inflows from emerging markets and our UHNWI client segment, partially offset by Western European cross-border outflows. Corporate & Institutional Clients in Switzerland reported strong net new assets of CHF 8.8 billion. Asset Management reported significant net new assets of CHF 15.0 billion, mainly from credit and index strategies and hedge funds products, partially offset by outflows from fixed income. In our non-strategic portfolio, net asset outflows of CHF 5.9 billion reflected the exit of certain businesses, of which CHF 4.0 billion were classified as discontinued operations.

## Growth in assets under management

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Growth in assets under management (CHF billion)** | | | | | |
| **Net new assets from continuing operations** | **4.2** | **8.8** | **7.1** | **36.1** | **11.4** |
| Net new assets from discontinued operations | 0.2 | (0.7) | (0.3) | (4.0) | (0.6) |
| **Net new assets** | **4.4** | **8.1** | **6.8** | **32.1** | **10.8** |
| of which Wealth Management Clients | 1.7 | 3.8 | 3.6 | 18.9 | 20.6 |
| of which Corporate & Institutional Clients | 4.0 | 0.5 | 1.1 | 8.8 | 1.5 |
| of which Asset Management [1] | (0.5) | 4.4 | 2.8 | 15.0 | (8.3) |
| of which non-strategic | (1.0) | (1.2) | (0.9) | (5.9) | (2.1) |
| of which assets managed across businesses [2] | 0.2 | 0.6 | 0.2 | (4.7) | (0.9) |
| **Other effects from continuing operations** | **9.9** | **(14.9)** | **(6.3)** | **19.5** | **52.9** |
| Other effects from discontinued operations | (0.1) | (21.6) | (0.4) | (20.0) | 1.9 |
| **Other effects** | **9.8** | **(36.5)** | **(6.7)** | **(0.5)** | **54.8** |
| of which Wealth Management Clients | 6.1 | (3.2) | (7.2) | 13.8 | 27.8 |
| of which Corporate & Institutional Clients | 4.9 | 2.3 | 2.4 | 17.4 | 19.3 |
| of which Asset Management | 3.8 | (1.5) | 0.8 | 12.0 | 14.6 |
| of which non-strategic | (3.3) | (33.9) | (1.1) | (34.4) | 2.2 |
| of which assets managed across businesses [2] | (1.7) | (0.2) | (1.6) | (9.3) | (9.1) |
| **Growth in assets under management from continuing operations** | **14.1** | **(6.1)** | **0.8** | **55.6** | **64.3** |
| Growth in assets under management from discontinued operations | 0.1 | (22.3) | (0.7) | (24.0) | 1.3 |
| **Growth in assets under management** | **14.2** | **(28.4)** | **0.1** | **31.6** | **65.6** |
| of which Wealth Management Clients | 7.8 | 0.6 | (3.6) | 32.7 | 48.4 |
| of which Corporate & Institutional Clients | 8.9 | 2.8 | 3.5 | 26.2 | 20.8 |
| of which Asset Management [1] | 3.3 | 2.9 | 3.6 | 27.0 | 6.3 |
| of which non-strategic | (4.3) | (35.1) | (2.0) | (40.3) | 0.1 |
| of which assets managed across businesses [2] | (1.5) | 0.4 | (1.4) | (14.0) | (10.0) |

## Growth in assets under management (continued)

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Growth in assets under management (annualized) (%)** | | | | | |
| **Net new assets from continuing operations** | **1.4** | **2.8** | **2.4** | **3.0** | **1.0** |
| Net new assets from discontinued operations | 2.8 | (5.5) | (2.2) | (7.5) | (1.2) |
| **Net new assets** | **1.4** | **2.5** | **2.2** | **2.5** | **0.9** |
| of which Wealth Management Clients | 0.9 | 1.9 | 1.9 | 2.5 | 2.9 |
| of which Corporate & Institutional Clients | 6.6 | 0.8 | 2.0 | 3.9 | 0.7 |
| of which Asset Management [1] | (0.6) | 5.1 | 3.5 | 4.6 | (2.6) |
| of which non-strategic | (8.2) | (5.7) | (4.2) | (7.0) | (2.5) |
| of which assets managed across businesses [2] | (0.5) | (1.6) | (0.6) | 3.3 | 0.7 |
| **Other effects from continuing operations** | **3.2** | **(4.8)** | **(2.1)** | **1.6** | **4.7** |
| Other effects from discontinued operations | (1.4) | (168.7) | (3.0) | (37.8) | 3.6 |
| **Other effects** | **3.1** | **(11.3)** | **(2.2)** | **0.0** | **4.6** |
| of which Wealth Management Clients | 3.1 | (1.6) | (3.8) | 1.8 | 3.9 |
| of which Corporate & Institutional Clients | 8.2 | 3.9 | 4.4 | 7.8 | 9.5 |
| of which Asset Management | 4.4 | (1.7) | 1.0 | 3.7 | 4.6 |
| of which non-strategic | (27.1) | (161.8) | (5.0) | (40.6) | 2.6 |
| of which assets managed across businesses [2] | 4.4 | 0.6 | 4.6 | 6.6 | 6.9 |
| **Growth in assets under management continuing operations** | **4.6** | **(2.0)** | **0.3** | **4.6** | **5.7** |
| Growth in assets under management from discontinued operations | 1.4 | (174.2) | (5.2) | (45.3) | 2.4 |
| **Growth in assets under management** | **4.5** | **(8.8)** | **0.0** | **2.5** | **5.5** |
| of which Wealth Management Clients | 4.0 | 0.3 | (1.9) | 4.3 | 6.8 |
| of which Corporate & Institutional Clients | 14.8 | 4.7 | 6.4 | 11.7 | 10.2 |
| of which Asset Management [1] | 3.8 | 3.4 | 4.5 | 8.3 | 2.0 |
| of which non-strategic | (35.3) | (167.5) | (9.2) | (47.6) | 0.1 |
| of which assets managed across businesses [2] | 3.9 | (1.0) | 4.0 | 9.9 | 7.6 |
| **Growth in net new assets (rolling four-quarter average) (%)** | | | | | |
| **Net new assets from continuing operations** | **3.0** | **3.3** | **1.0** | – | – |
| Net new assets from discontinued operations | (7.5) | (8.4) | (1.2) | – | – |
| **Net new assets** | **2.5** | **2.8** | **0.9** | | |
| of which Wealth Management Clients | 2.5 | 2.7 | 2.9 | – | – |
| of which Corporate & Institutional Clients | 3.9 | 2.7 | 0.7 | – | – |
| of which Asset Management [1] | 4.6 | 5.7 | (2.6) | – | – |
| of which non-strategic | 3.3 | 3.4 | 0.7 | – | – |
| of which Assets managed across businesses [2] | 0.0 | 0.0 | 0.0 | – | – |

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

## Net new assets

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Net new assets (CHF billion)** | | | | | |
| Wealth Management Clients | 1.7 | 3.8 | 3.6 | 18.9 | 20.6 |
| Corporate & Institutional Clients | 4.0 | 0.5 | 1.1 | 8.8 | 1.5 |
| Asset Management | (0.5) | 4.4 | 2.8 | 15.0 | (8.3) |
| Non-strategic | (1.0) | (1.2) | (0.9) | (5.9) | (2.1) |
| Assets managed across businesses [1] | 0.2 | 0.6 | 0.2 | (4.7) | (0.9) |
| **Net new assets** | **4.4** | **8.1** | **6.8** | **32.1** | **10.8** |
| of which continuing operations | 4.2 | 8.8 | 7.1 | 36.1 | 11.4 |
| of which discontinued operations | 0.2 | (0.7) | (0.3) | (4.0) | (0.6) |

[1] Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and the non-strategic businesses.

# II

# Treasury, risk, balance sheet and off-balance sheet

# Liquidity and funding management

During 4Q13, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

### Overview

Securities for funding and capital purposes are issued primarily by the Bank, our principal operating subsidiary and a US registrant. The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements, or as desired by management to support business initiatives.

Our internal liquidity risk management framework is subject to review and monitoring by the FINMA, other regulators and rating agencies.

▸ Refer to "Treasury management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2012 for further information on liquidity and funding management.

### Liquidity risk management framework

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, well in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. The assets included in the liquidity pool consist of cash, high grade bonds, major market equity securities and other liquid securities. A portion of the liquidity pool is generated through reverse repurchase agreements with top rated counterparties. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we will have sufficient liquidity to sustain operations for an extended period of time in excess of our minimum target.

In December 2010, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a LCR and a net stable funding ratio (NSFR).

In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The BCBS also issued proposed revisions to the NSFR, which are expected to become the minimum standard by the previously announced date of January 1, 2018.

The LCR, which will be phased in beginning January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by January 1, 2019.

The NSFR, which is expected to be introduced on January 1, 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

Although the NSFR is not expected to be introduced until 2018 and is still subject to adjustment by the BCBS and FINMA, we began using the NSFR in 2012 as the primary tool to monitor our structural liquidity position, plan funding and as the basis for our funds transfer pricing policy. We estimate that our NSFR under the current FINMA framework was in excess of 100% as of the end of 4Q13. Where requirements are unclear or left to be determined by the BCBS and FINMA, we have made our own interpretation and assumptions.

In November 2012, the Swiss Federal Council adopted a liquidity ordinance that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making in Switzerland. Both quantitative and qualitative requirements are consistent with existing FINMA liquidity requirements. In January 2014, the Swiss Federal Council and FINMA proposed revisions to the liquidity ordinance to include final Basel III LCR rules. Under the proposed revisions, systemically relevant banks like us will be subject to an initial minimum LCR requirement of 100% beginning in 2015.

### Funding sources and uses

We fund our balance sheet primarily through core customer deposits, long-term debt and shareholders' equity. We monitor the funding sources, including their concentrations, according to their currency, tenor, geography and maturity and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

These assets include our liquidity pool, which as of the end of 4Q13 based on our internal model was CHF 140 billion, net of a stress test level haircut. The liquidity pool consisted of CHF 55 billion of cash held at major central banks, primarily the Fed, SNB and the ECB, CHF 52 billion of securities issued by governments and government agencies, primarily of the US, Britain, France, Germany and Switzerland and CHF 33 billion of other highly liquid assets including equity securities that form part of major indices. As of December 31, 2013, our internal model included the application of a stress test level haircut equal to approximately 60% of the market value of non-cash positions in the liquidity pool. The haircut reflects our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities.

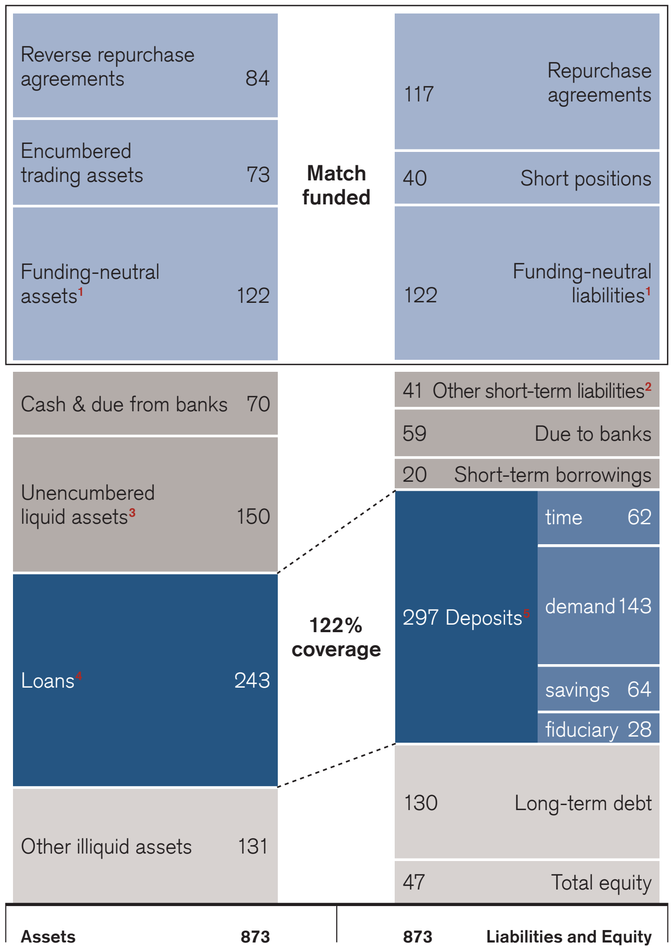
Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 22% as of the end of 4Q13 compared to 24% as of the end of 3Q13, reflecting a slight increase in loans and a slight decrease in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as a haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 297 billion as of the end of 4Q13 compared to CHF 298 billion as of the end of 3Q13, reflecting a stable customer deposit base in Private Banking & Wealth Management. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proved to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

‣ Refer to the chart "Balance sheet funding structure" and "Balance sheet and off-balance sheet" for further information.

### Balance sheet funding structure

as of December 31, 2013 (CHF billion)




[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

**Debt issuances and redemptions**

Our long-term debt includes senior and subordinated debt issued in US-registered offerings and medium-term note programs, euro market medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or from our own international covered bond program.

In 4Q13, we issued CHF 1.2 billion of senior debt. As of the end of 4Q13, our long-term debt outstanding was CHF 130 billion, which included senior and subordinated instruments. We had CHF 35 billion and CHF 14.3 billion of structured notes and covered bonds outstanding, respectively, as of the end of 4Q13 compared to CHF 36.6 billion and CHF 15.2 billion, respectively, as of the end of 4Q12.

‣ Refer to "Capital issuances and redemptions" in Capital management for information on issuances of capital notes, all of which constitute subordinated debt instruments.

As of the end of 4Q13, the weighted average maturity of long-term debt was 6.7 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity, or in 2030 for instruments without a stated final maturity).

**Credit ratings**

The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 1.4 billion, CHF 3.4 billion and CHF 4.8 billion, respectively, as of the end of 4Q13, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

As of the end of 4Q13, we were compliant with the requirements related to maintaining a specific credit rating under these derivative instruments.

‣ Refer to "Credit ratings" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management in the Credit Suisse Annual Report 2012 for further information.

# Capital management

As of the end of 4Q13, our capital position remained strong with a CET1 ratio of 15.7% under Basel III and 10.0% on a look-through basis. Our RWA under Basel III increased slightly to CHF 273.8 billion compared to 3Q13. Our Swiss leverage ratio was 5.1%.

## REGULATORY CAPITAL FRAMEWORK

### Overview

Effective January 1, 2013, the Basel II.5 framework, under which we operated in 2012, was replaced by the Basel III framework, which was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business. Our 4Q12 calculations of capital and ratio amounts, which are presented in order to show meaningful comparative information, use estimates as of December 31, 2012, as if the Basel III framework had been implemented in Switzerland as of such date.

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Regulation and supervision" in I – Information on the company in the Credit Suisse Annual Report 2012 for further information.

### Capital structure under Basel III

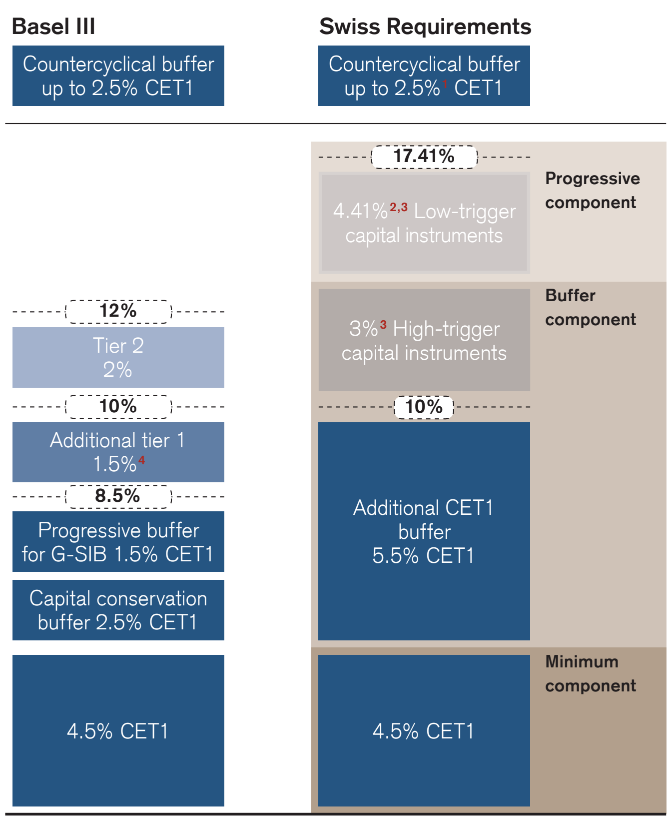
The BCBS issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks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

▸ Refer to the table "Basel III phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

Under Basel III, the minimum CET1 requirement is 4.5% of risk-weighted assets (RWA).

In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends or make discretionary bonus payments or other earnings distributions.

### Capital frameworks for Credit Suisse




[1] As of September 30, 2013, banks are required to hold CET1 capital in the amount of 1% of RWA pertaining to mortgage loans that finance residential property in Switzerland.
[2] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2014, FINMA reduced our 2019 progressive component requirement from 4.41% to 3.66.
[3] Counts towards Basel III minimum requirements as tier 1 or tier 2 capital depending on the quality of the underlying instruments.
[4] Additional tier 1 instruments must provide for principal loss absorption through a conversion into common equity or write-down feature. The trigger for such a conversion or write-down must include a CET1 ratio of at least 5.125%.

## Basel III phase-in requirements for Credit Suisse

| Effective January 1, for the applicable year | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **Capital ratios** | | | | | | | |
| CET1 | 3.5% [1] | 4.0% [1] | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Capital conservation buffer | | | | 0.625% [1] | 1.250% [1] | 1.875% [1] | 2.5% |
| Progressive buffer for G-SIB | | | | 0.375% [1] | 0.750% [1] | 1.125% [1] | 1.5% |
| **Total CET1** | **3.5%** | **4.0%** | **4.5%** | **5.5%** | **6.5%** | **7.5%** | **8.5%** |
| Additional tier 1 | 1.0% [1] | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| **Total tier 1** | **4.5%** | **5.5%** | **6.0%** | **7.0%** | **8.0%** | **9.0%** | **10.0%** |
| Tier 2 | 3.5% [1] | 2.5% [1] | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| **Total capital** | **8.0%** | **8.0%** | **8.0%** | **9.0%** | **10.0%** | **11.0%** | **12.0%** |
| Phase-in deductions from CET1 [2] | | 20.0% [1] | 40.0% [1] | 60.0% [1] | 80.0% [1] | 100.0% | 100.0% |
| Capital instruments subject to phase out | | Phased out over a 10-year horizon beginning 2013 through 2022 | | | | | |

[1] Indicates transition period.
[2] Includes goodwill and other intangible assets, certain deferred tax assets and participations in financial institutions.

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

CET1 capital is subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

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

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1 or other capital that would be available to fully absorb losses. This requirement is expected to be imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk. This countercyclical buffer will be phased in from January 1, 2016 through January 1, 2019.

Beginning January 1, 2013, capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, will be phased out at their effective maturity date, generally the date of the first step-up coupon.

### Swiss Requirements

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss Requirements. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in from 2013 through 2018 and are fully effective January 1, 2019. The legislation on capital requirements builds on Basel III, but in respect of systemically relevant banks goes beyond its minimum standards, including requiring us, as a systemically relevant bank, to have the following minimum, buffer and progressive components.

▸ Refer to the chart "Swiss capital and leverage ratio phase-in requirements for Credit Suisse" for Swiss capital requirements and applicable effective dates during the phase-in period.

The minimum requirement of CET1 capital is 4.5% of RWA.

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

The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business. For 2014, FINMA set our progressive component requirement at 3.66%, a decrease from the 4.41% applicable in 2013, reflecting our size and market share based on data as of year-end 2012. The progressive component requirement may be met with CET1 capital or low-trigger capital instruments. In order to qualify, low-trigger capital instruments must convert into common equity or be written off if the CET1 ratio falls below a specified percentage, the lowest of which may be 5%. In addition, until the end of 2017, the progressive component requirement may also be met with high-trigger capital instruments. Both high and low-trigger capital instruments must comply with the Basel III minimum requirements for tier 2 capital (including subordination, point-of-non-viability loss absorption and minimum maturity).

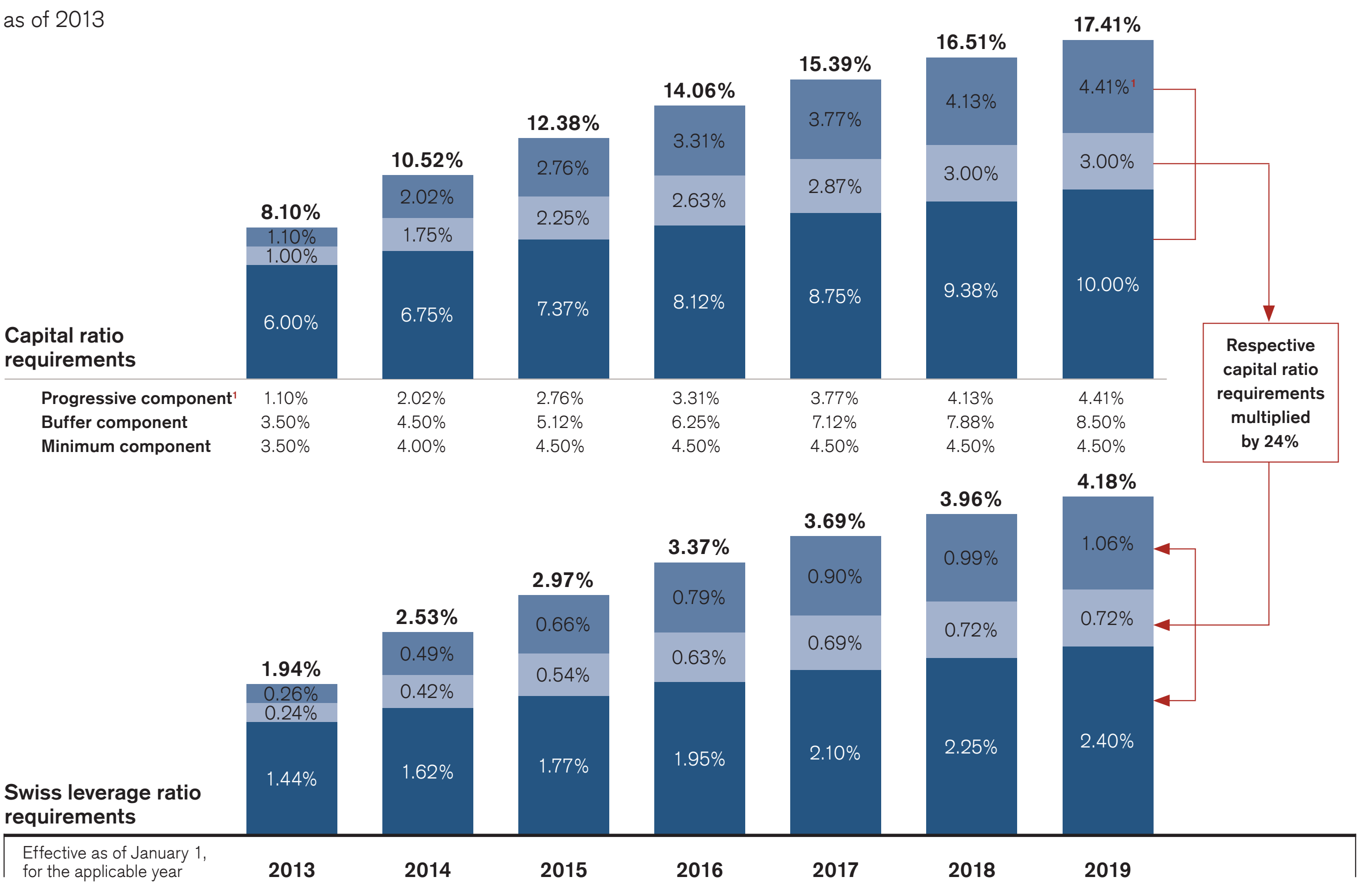
Similar to Basel III, the Swiss Requirements include a supplemental countercyclical buffer of up to 2.5% of RWA that can be activated during periods of excess credit growth. In February 2013, upon the request of the SNB, the Swiss Federal Council activated the countercyclical capital buffer, which was effective September 30, 2013 and requires banks to hold CET1 capital in the amount of 1% of their RWA pertaining to mortgage loans that finance residential property in Switzerland. As of December 31, 2013, our countercyclical buffer was CHF 144 million, which is equivalent to an additional requirement of 0.05% of CET1 capital. In January 2014, upon the request of SNB, the Swiss Federal Council further increased the countercyclical buffer from 1% to 2%, effective June 30, 2014.

We also measure Swiss Core Capital and Swiss Total Capital. Swiss Core Capital consists of CET1 capital and tier 1 participation securities, which FINMA advised may be included with a haircut of 20% until December 31, 2018 at the latest, and may include certain other Swiss adjustments. Our Swiss Total Capital consists of Swiss Core Capital, high-trigger capital instruments and low-trigger capital instruments.

As of January 1, 2013, we must also comply with a leverage ratio applicable to Swiss systemically relevant banks (Swiss leverage ratio). This leverage ratio must be at least 24% of each of the respective minimum, buffer and progressive component requirements. Since the ratio is defined by reference to capital requirements subject to phase-in arrangements, the ratio will also be phased in.

## Swiss capital and leverage ratio phase-in requirements for Credit Suisse

as of 2013




■ Swiss Core Capital ■ High-trigger capital instruments ■ Low-trigger capital instruments

Excludes countercyclical buffer required as of September 30, 2013.

[1] The progressive component requirement is dependent on our size (leverage ratio exposure) and the market share of our domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA. For 2014, FINMA reduced our 2019 progressive component requirement from 4.41% to 3.66%, which leads to a total capital ratio requirement of 16.66% and a Swiss leverage ratio requirement of 4.0%.

### Risk measurement models

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge, stressed Value-at-Risk (VaR) and, since January 1, 2013, advanced credit valuation adjustment (CVA). The incremental risk charge is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. Advanced CVA covers the risk of mark-to-market losses on the expected counterparty risk arising from changes in a counterparty's credit spreads.

FINMA, in line with Bank for International Settlements (BIS) requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. For the purposes of this measurement, backtesting exceptions are calculated using a subset of actual daily trading revenues that includes only the impact of daily movements in financial market variables such as interest rates, equity prices and foreign exchange rates on the previous night's positions. In 4Q13, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

With FINMA approval, we have implemented a Comprehensive Risk Measure framework to calculate a capital charge covering all price risks (default, spread and correlation risk) within the credit correlation products within our trading book portfolio.

Effective January 1, 2013, FINMA introduced increased capital charges for mortgage loans that finance certain residential property in Switzerland (mortgage multiplier). These increased capital charges, which are applied for both BIS and FINMA purposes, will be phased in by January 1, 2019.

▸ Refer to "Market risk" in Risk management for further information on Credit Suisse's risk measurement models and backtesting exceptions.

### Regulatory developments and proposals

In January 2014, the BCBS published the framework and disclosure requirements for the Basel III leverage ratio. The required Basel III leverage ratio, which seeks to measure tier 1 capital against exposure, is expected to be at least 3%. Although the effective date of the Basel III leverage ratio is not until 2018, banks will be required to disclose the ratio on a consolidated basis beginning in 2015, subject to implementation by national regulators.

In accordance with BCBS's G-SIB loss absorbency requirements and FINMA's capital adequacy disclosure requirements, banks with a balance sheet exceeding EUR 200 billion must publish annually 12 financial indicators, such as size and complexity. Depending on these financial indicators, the FSB will set the progressive buffer for G-SIBs. The reporting requirement is effective December 31, 2013 and disclosures must be made by April 30.

From January 1, 2014, the Capital Requirement Directive (CRD) IV package of legislation (comprising a directive and a regulation) will replace the current CRD directive with new measures implementing Basel III and other requirements. As part of the transition to CRD IV, the UK's Prudential Regulation Authority has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved and certain models will require updates in line with latest BCBS guidance and regulatory feedback on modeling techniques.

The SNB has previously designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, in December 2013, FINMA issued a decree specifying capital adequacy requirements addressed to the Bank on a stand-alone basis and the Bank and the Group, each on a consolidated basis as systemically relevant institutions. It also specified liquidity and risk diversification requirements for the Bank at the stand-alone level. The decree is expected to become effective in 1Q14.

## CAPITAL ISSUANCES AND REDEMPTIONS

In December 2013, we issued USD 2.25 billion 7.5% tier 1 capital notes (7.5% tier 1 capital notes).

These notes, together with one other series of tier 1 capital notes and two series of tier 2 capital notes, which were issued in 3Q13, qualify as low-trigger capital instruments and have a write-down feature, which means that the full principal amount of the notes will be permanently written down to zero upon the occurrence of specified triggering events. These events occur when the amount of our CET1 ratio, together with an additional ratio described below that takes into account other outstanding capital instruments, falls below a specified level (5% for the tier 2 capital notes and 5.125% for the tier 1 capital notes). The write-down can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and determines a write-down is not required. The capital notes will also be written down upon a non-viability event, which occurs when FINMA determines that a write-down is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances.

The capital ratio write-down triggers for each of the series of capital notes issued in 2013 take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert or be written down prior to the write-down of the respective 2013 capital notes. The amount of additional capital that is expected to be contributed by such conversion or write down is referred to as the Higher Trigger Capital Amount under the terms of the capital notes issued in 2013.

For the tier 2 capital notes as of the end of 4Q13, the Higher Trigger Capital Amount was CHF 10.0 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 3.7%. For the tier 1 capital notes as of the end of 4Q13, the Higher Trigger Capital Amount was CHF 7.7 billion and the Higher Trigger Capital Ratio was 2.8%.

▸ Refer to the table "BIS statistics – Basel III" for further information on the BIS statistics used to calculate such measures.

In October 2013, based on a prior agreement with an entity affiliated with Qatar Investment Authority, we exchanged such entity's holding of all of the CHF 2.5 billion 10% tier 1 capital notes and USD 1.72 billion of the 11% tier 1 capital notes into equivalent principal amounts of tier 1 high-trigger capital instruments. In addition, we redeemed USD 55 million of the 11% tier 1 capital notes for cash.

▸ Refer to "Related party transactions" in IV – Corporate Governance and Compensation – Corporate Governance – Banking relationships with members of the Board and Executive Board and related party transactions in our 2012 Annual Report for further information on the agreement to exchange.

In December 2013, we redeemed USD 1.5 billion of 8.25% subordinated tier 1 participation securities. Prior to the call and as advised by FINMA, these tier 1 participation securities formed part of Swiss Core Capital under Swiss Requirements, whereas under Basel III, these instruments were included in additional tier 1 instruments subject to phase out. Our remaining USD 1.5 billion of outstanding participation securities are similarly treated and we are reviewing a potential early call of them.

All of the issuances and redemptions effected in 2013 were approved by FINMA.

## CAPITAL METRICS UNDER BASEL III

### Regulatory capital and ratios – Group

Our CET1 ratio was 15.7% as of the end of 4Q13, compared to 16.3% as of the end of 3Q13, due to an increase in RWA and a decrease in CET1 capital. Our tier 1 ratio was 16.8% as of the end of 4Q13, compared to 17.0% as of the end of 3Q13. Our total capital ratio remained stable at 20.6% as of the end of 4Q13 compared to the end of 3Q13.

CET1 capital was CHF 43.0 billion as of the end of 4Q13 compared to CHF 43.8 billion as of the end of 3Q13, reflecting a net loss, a negative foreign exchange translation impact and a quarterly dividend accrual, partially offset by the impact of share-based compensation.

Additional tier 1 capital increased to CHF 3.1 billion, mainly due to the issuance of the 7.5% tier 1 capital notes. Tier 2 capital decreased slightly to CHF 10.2 billion as of the end of 4Q13.

Total eligible capital was stable at CHF 56.3 billion as of the end of 4Q13 compared to the end of 3Q13, reflecting the decrease in CET1 capital and the redemption of the 8.25% subordinated tier 1 participation securities, partially offset by the issuance of the 7.5% tier 1 capital notes.

RWA increased 2%, from CHF 269.3 billion as of the end of 3Q13 to CHF 273.8 billion as of the end of 4Q13, reflecting an increase in operational risk together with a minor increase in market risk, partially offset by a decrease in credit risk and a decrease resulting from foreign exchange translation.

The increase in operational risk resulted from revisions to the model to measure operational risk as of December 31, 2013 to include all litigation provisions, parameter updates and an add-on component relating to the aggregate range of reasonably possible litigation losses not covered by existing provisions.

The increase in market risk was driven by higher exposures, particularly within fixed income, impacting stressed VaR and incremental risk charges. This was partially offset by decreases in trading book mortgage securitization exposures, reduced regular VaR, particularly within securitized products and global credit products, and lower risks not covered by our VaR model following the inclusion of certain risk components into the modeled VaR.

The decrease in credit risk was driven by a decrease in CVA, primarily within Investment Banking, partially offset by an increase in credit risk within Investment Banking. CVA decreased following increased hedging during the period. The increase in Investment Banking credit risk primarily resulted from increases in lending exposures across various business areas, most notably from increased commitments extended by the leverage finance business, partially offset by decreases in secured financing and unsettled trades.

▸ Refer to the table "BIS statistics – Basel III" for further information.

▸ Refer to "Market risk", "Credit risk" and "Operational risk" in Risk management for further information.

### Other regulatory disclosures

In connection with the implementation of Basel III, additional regulatory disclosures are required. Additional information on capital instruments, including main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base of the Group, subsidiary regulatory reporting, reconciliation requirements and Pillar 3 disclosures can be found on the Investor Relations website.

▸ Refer to https://www.credit-suisse.com/investors/en/regulatory_disclosures/index.jsp for additional information.

## BIS statistics – Basel III

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| end of | 4Q13 | 3Q13 | 4Q12 | % change QoQ | 4Q13 | 3Q13 | 4Q12 | % change QoQ |
| **Eligible capital (CHF million)** | | | | | | | | |
| Total shareholders' equity | 42,164 | 42,162 | 35,498 | 0 | 39,992 | 36,260 | 34,767 | 10 |
| Mandatory and contingent convertible securities | – [1] | – [1] | 3,598 [1] | – | – | – | – | – |
| Regulatory adjustments | (1,069) [2] | (1,044) [2] | (303) [2] | 2 | (3,504) [3] | (4,247) [3] | (3,879) [3] | (17) |
| Adjustments subject to phase in [4] | 1,894 | 2,662 | 2,707 | (29) | 1,540 | 5,906 | 5,829 | (74) |
| **CET1 capital** | **42,989** | **43,780** | **41,500** | (2) | **38,028** | **37,919** | **36,717** | 0 |
| Additional tier 1 instruments | 7,484 [5] | 1,792 | 1,516 | 318 | 6,644 | 1,792 | 1,545 | 271 |
| Additional tier 1 instruments subject to phase out [6] | 3,652 | 8,967 | 10,416 | (59) | 3,652 | 8,967 | 10,416 | (59) |
| Deductions from additional tier 1 capital [7] | (8,064) | (8,662) | (9,075) | (7) | (7,219) | (7,770) | (8,201) | (7) |
| **Additional tier 1 capital** | **3,072** | **2,097** | **2,857** | 46 | **3,077** | **2,989** | **3,760** | 3 |
| **Total tier 1 capital** | **46,061** | **45,877** | **44,357** | 0 | **41,105** | **40,908** | **40,477** | 0 |
| Tier 2 instruments | 6,263 [5] | 6,381 | 2,568 | (2) | 6,263 | 6,381 | 2,572 | (2) |
| Tier 2 instruments subject to phase out | 4,321 | 4,438 | 5,016 | (3) | 5,016 | 5,427 | 6,634 | (8) |
| Deductions from tier 2 capital | (357) | (341) | (422) | 5 | (318) | (300) | (377) | 6 |
| **Tier 2 capital** | **10,227** | **10,478** | **7,162** | (2) | **10,961** | **11,508** | **8,829** | (5) |
| **Total eligible capital** | **56,288** | **56,355** | **51,519** | 0 | **52,066** | **52,416** | **49,306** | (1) |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Credit risk | 175,631 | 180,223 | 201,764 | (3) | 166,324 | 169,982 | 191,649 | (2) |
| Market risk | 39,133 | 37,989 | 39,466 | 3 | 39,111 | 37,977 | 39,438 | 3 |
| Operational risk | 53,075 | 44,788 | 45,125 | 19 | 53,075 | 44,788 | 45,125 | 19 |
| Non-counterparty risk | 6,007 | 6,263 | 6,126 | (4) | 5,758 | 6,009 | 5,873 | (4) |
| **Risk-weighted assets** | **273,846** | **269,263** | **292,481** | 2 | **264,268** | **258,756** | **282,085** | 2 |
| **Capital ratios (%)** | | | | | | | | |
| CET1 ratio | 15.7 | 16.3 | 14.2 | – | 14.4 | 14.7 | 13.0 | – |
| Tier 1 ratio | 16.8 | 17.0 | 15.2 | – | 15.6 | 15.8 | 14.3 | – |
| Total capital ratio | 20.6 | 20.9 | 17.6 | – | 19.7 | 20.3 | 17.5 | – |

1 Converted and settled into 233.5 million shares on April 8, 2013 and reflected in total shareholders' equity as of that date.
2 Includes regulatory adjustments not subject to phase in, including a cumulative dividend accrual.
3 Includes regulatory adjustments not subject to phase in, including the cumulative dividend accrual, and an adjustment for tier 1 participation securities.
4 Includes an adjustment for the accounting treatment of pension plans pursuant to phase-in requirements and other regulatory adjustments. For the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and other intangible assets and other capital deductions (e.g., certain deferred tax assets and participations in financial institutions).
5 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 7.7 billion consists of capital instruments with a capital ratio write-down trigger of 7%, CHF 2.3 billion consists of capital instruments with a capital ratio write-down trigger of 5.125% and CHF 3.7 billion consists of capital instruments with a capital ratio write-down trigger of 5%.
6 Includes tier 1 participation securities and hybrid capital instruments that are subject to phase out.
7 Includes goodwill and other intangible assets of CHF 8.2 billion and other capital deductions, including gains/(losses) due to changes in own credit risks on fair valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

## CET1 capital movement – Basel III

| | 4Q13 | 3Q13 |
|---|---|---|
| **CET1 capital (CHF million)** | | |
| **Balance at beginning of period** | **43,780** | **44,430** |
| Net income/(loss) | (476) | 454 |
| Foreign exchange impact | (516) | (1,033) |
| Other | 201 [1] | (71) [1] |
| **Balance at end of period** | **42,989** | **43,780** |

[1] Reflects the effect of share-based compensation, a dividend accrual and a change in other regulatory adjustments.

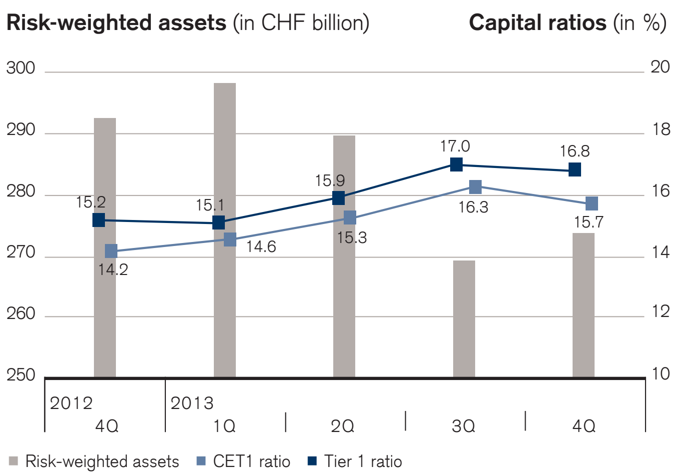
### Look-through CET1 ratio

For the years 2014 – 2018, there will be a five-year (20% per annum) phase in of goodwill and other intangible assets and other capital deductions (e.g., certain deferred tax assets and participations in financial institutions). Assuming fully phased-in deductions of CHF 8.2 billion of goodwill and other intangible assets and CHF 7.5 billion of other regulatory adjustments, we estimate that our Look-through CET1 ratio as of the end of 4Q13 would be 10.0%, calculated based on Look-through RWA of CHF 266 billion.

### Risk-weighted assets

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as market, credit, operational and non-counterparty risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in Credit Risk RWA. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment. It is not the nominal size, but the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA.

## Risk-weighted assets and capital ratios – Basel III




## Risk-weighted assets by division – Basel III

| | | | end of | | % change |
|---|---|---|---|---|---|
| | 4Q13 | 3Q13 | 4Q12 | QoQ | Ytd |
| **Risk-weighted assets by division (CHF million)** | | | | | |
| Private Banking & Wealth Management | 94,395 | 92,434 | 96,009 | 2 | (2) |
| Investment Banking | 156,402 | 152,638 | 171,511 | 2 | (9) |
| Corporate Center | 23,049 | 24,191 | 24,961 | (5) | (8) |
| **Risk-weighted assets** | **273,846** | **269,263** | **292,481** | 2 | (6) |

## CAPITAL METRICS UNDER SWISS REQUIREMENTS

### Swiss Core and Total Capital ratios

Swiss Core Capital consists of CET1 capital, tier 1 participation securities which FINMA advised may be included with a haircut of 20% until December 31, 2018 at the latest, and may include certain other adjustments. Swiss Total Capital also includes high-trigger capital instruments and low-trigger capital instruments. As of the end of 4Q13, our Swiss Core Capital and Swiss Total Capital ratios were 16.2% and 21.2%, respectively, compared to the Swiss capital ratio phase-in requirements of 6.0% and 8.1%, respectively.

## Swiss Core and Total Capital ratios

| | | | | Group | | | | Bank |
|---|---|---|---|---|---|---|---|---|
| end of | **4Q13** | 3Q13 | 4Q12 | % change QoQ | **4Q13** | 3Q13 | 4Q12 | % change QoQ |
| **Capital development (CHF million)** | | | | | | | | |
| CET1 capital | 42,989 | 43,780 | 41,500 | (2) | 38,028 | 37,919 | 36,717 | 0 |
| Swiss regulatory adjustments [1] | 1,658 | 1,907 | 2,481 | (13) | 1,711 | 2,858 | 2,864 | (40) |
| **Swiss Core Capital** | **44,647** | **45,687** | **43,981** | (2) | **39,739** | **40,777** | **39,581** | (3) |
| High-trigger capital instruments [2] | 7,743 | 4,052 | 4,084 | 91 | 7,743 | 4,052 | 4,084 | 91 |
| Low-trigger capital instruments [3] | 6,005 | 4,121 | – | 46 | 5,164 | 4,121 | – | 25 |
| **Swiss Total Capital** | **58,395** | **53,860** | **48,065** | 8 | **52,646** | **48,950** | **43,665** | 8 |
| **Risk-weighted assets (CHF million)** | | | | | | | | |
| Risk-weighted assets – Basel III | 273,846 | 269,263 | 292,481 | 2 | 264,268 | 258,756 | 282,085 | 2 |
| Swiss regulatory adjustments [4] | 1,015 | 1,317 | 1,259 | (23) | 1,020 | 1,298 | 1,220 | (21) |
| **Swiss risk-weighted assets** | **274,861** | **270,580** | **293,740** | 2 | **265,288** | **260,054** | **283,305** | 2 |
| **Capital ratios (%)** | | | | | | | | |
| Swiss Core Capital ratio | 16.2 | 16.9 | 15.0 | – | 15.0 | 15.7 | 14.0 | – |
| Swiss Total Capital ratio | 21.2 | 19.9 | 16.4 | – | 19.8 | 18.8 | 15.4 | – |

[1] Consists of tier 1 participation securities of CHF 1.3 billion, additional tier 1 deductions for which there is not enough tier 1 capital available and is therefore deducted from Swiss Core Capital and other Swiss regulatory adjustments.
[2] Consists of CHF 5.2 billion additional tier 1 instruments and CHF 2.5 billion tier 2 instruments.
[3] Consists of CHF 2.3 billion additional tier 1 instruments and CHF 3.7 billion tier 2 instruments.
[4] Includes increased regulatory thresholds resulting from additional Swiss Core Capital.

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

## Swiss capital requirements and coverage

| | | | | | Group | | | | | Bank |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | 4Q13 | Minimum component | Buffer component | Progressive component | Excess | 4Q13 |
| **Risk-weighted assets (CHF billion)** | | | | | | | | | | |
| **Swiss risk-weighted assets** | – | – | – | – | 274.9 | – | – | – | – | 265.3 |
| **2013 Swiss capital requirements** [1] | | | | | | | | | | |
| Minimum Swiss Total Capital ratio | 3.5% | 3.5% | 1.1% | – | 8.1% | 3.5% | 3.5% | 1.1% | – | 8.1% |
| Minimum Swiss Total Capital (CHF billion) | 9.6 | 9.6 | 3.0 | – | 22.3 | 9.3 | 9.3 | 2.9 | – | 21.5 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss Core Capital | 9.6 | 1.9 | – | 33.2 | 44.6 | 9.3 | 1.5 | – | 28.9 | 39.7 |
| High-trigger capital instruments | – | 7.7 | – | – | 7.7 | – | 7.7 | – | – | 7.7 |
| Low-trigger capital instruments | – | – | 3.0 | 3.0 | 6.0 | – | – | 2.9 | 2.2 | 5.2 |
| **Swiss Total Capital** | **9.6** | **9.6** | **3.0** | **36.1** | **58.4** | **9.3** | **9.3** | **2.9** | **31.1** | **52.6** |
| **Capital ratios (%)** | | | | | | | | | | |
| Swiss Total Capital ratio | **3.5%** | **3.5%** | **1.1%** | **13.1%** | **21.2%** | **3.5%** | **3.5%** | **1.1%** | **11.7%** | **19.8%** |

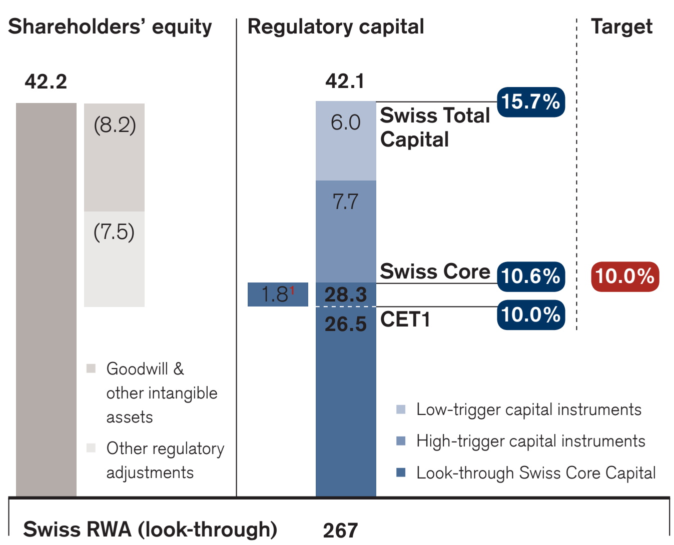
Rounding differences may occur. Excludes countercyclical buffer that was required as of September 30, 2013.
[1] The Swiss capital requirements are based on a percentage of RWA.

### Look-through Swiss Core and Total Capital ratios

The look-through basis assumes fully phased-in goodwill and other intangible assets and other regulatory adjustments. On a look-through basis, our Swiss Core Capital was CHF 28.3 billion and our Swiss Core Capital ratio was 10.6%, compared to a 10.0% ratio that we target. Our Swiss Total Capital was CHF 42.1 billion and our Swiss Total Capital ratio was 15.7%, each on a look-through basis.

## Look-through capital ratios – Group

as of December 31, 2013 (CHF billion)




Rounding differences may occur.
[1] Consists of existing tier 1 participation securities of CHF 1.3 billion and other Swiss regulatory adjustments.

### Swiss leverage ratio

The Swiss leverage ratio is calculated as Swiss Total Capital, divided by a three-month average exposure, which consists of balance sheet assets, off-balance sheet exposures, consisting of guarantees and commitments, and regulatory adjustments, including cash collateral netting reversals and derivative add-ons. As of the end of 4Q13, our Swiss leverage ratio was 5.1%. As of the end of 4Q13, our total exposure was CHF 1,131 billion, compared to our year-end 2013 target of CHF 1,190 billion. We have revised our long-term target to CHF 1,070 billion.

## Swiss leverage ratio

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| end of | **4Q13** | 3Q13 | % change QoQ | **4Q13** | 3Q13 | % change QoQ |
| **Swiss Total Capital (CHF million)** | | | | | | |
| **Swiss Total Capital** | **58,395** | **53,860** | 8 | **52,646** | **48,950** | 8 |
| **Exposure (CHF million)** [1] | | | | | | |
| Balance sheet assets | 890,242 | 903,593 | (1) | 872,097 | 885,852 | (2) |
| Off-balance sheet exposures | 133,426 | 144,943 | (8) | 132,567 | 144,107 | (8) |
| Regulatory adjustments | 130,150 | 157,302 | (17) | 127,795 | 154,818 | (17) |
| **Total average exposure** | **1,153,818** | **1,205,838** | **(4)** | **1,132,459** | **1,184,777** | **(4)** |
| **Swiss leverage ratio (%)** | | | | | | |
| Swiss leverage ratio | **5.1** | **4.5** | – | **4.6** | **4.1** | – |

[1] Calculated as the average of the month-end amounts for the previous three calendar months.

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

## Swiss leverage requirements and coverage

| | Group | | | | | Bank | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital requirements | | | | | Capital requirements | | | | |
| end of | Minimum component | Buffer component | Progressive component | Excess | **4Q13** | Minimum component | Buffer component | Progressive component | Excess | **4Q13** |
| **Exposure (CHF billion)** | | | | | | | | | | |
| **Total average exposure** | **–** | **–** | **–** | **–** | **1,153.8** | **–** | **–** | **–** | **–** | **1,132.5** |
| **2013 Swiss leverage requirements** [1] | | | | | | | | | | |
| Minimum Swiss leverage ratio | 0.84% | 0.84% | 0.26% | – | 1.94% | 0.84% | 0.84% | 0.26% | – | 1.94% |
| Minimum Swiss leverage (CHF billion) | 9.7 | 9.7 | 3.1 | – | 22.4 | 9.5 | 9.5 | 3.0 | – | 22.0 |
| **Swiss capital coverage (CHF billion)** | | | | | | | | | | |
| Swiss Core Capital | 9.7 | 1.9 | – | 33.0 | 44.6 | 9.5 | 1.8 | – | 28.5 | 39.7 |
| High-trigger capital instruments | – | 7.7 | – | – | 7.7 | – | 7.7 | – | – | 7.7 |
| Low-trigger capital instruments | – | – | 3.1 | 3.0 | 6.0 | – | – | 3.0 | 2.2 | 5.2 |
| **Swiss Total Capital** | **9.7** | **9.7** | **3.1** | **36.0** | **58.4** | **9.5** | **9.5** | **3.0** | **30.6** | **52.6** |
| **Swiss leverage ratio (%)** | | | | | | | | | | |
| **Swiss leverage ratio** | **0.84%** | **0.84%** | **0.26%** | **3.1%** | **5.1%** | **0.84%** | **0.84%** | **0.26%** | **2.7%** | **4.6%** |

Rounding differences may occur.
[1] The leverage requirements are based on a percentage of total average exposure.

### Look-through Swiss leverage ratio

The look-through basis assumes fully phased-in goodwill and other intangible assets and other regulatory adjustments. On a look-through basis, the Group's Swiss leverage ratio was 3.7%, compared to the 4% requirement for 2019 taking into account FINMA's reduction of our progressive component requirement beginning in 2014.

**Total shareholders' equity**

Our total shareholders' equity remained unchanged at CHF 42.2 billion as of the end of 4Q13 compared to the end of 3Q13. Total shareholders' equity was impacted by an actuarial pension adjustment, the effect of share-based compensation and the purchase of subsidiary shares from non-controlling interests, relating to the redemption of tier 1 participation securities, offset by the impact of foreign exchange-related movements on cumulative translation adjustments, a net loss, financial instruments indexed to own shares and dividend payments.

‣ Refer to the "Consolidated statements of changes in equity (unaudited)" in III – Condensed consolidated financial statements – unaudited for further information on shareholders' equity.

## Capital

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Shareholders' equity (CHF million)** | | | | | |
| Common shares | 64 | 64 | 53 | 0 | 21 |
| Additional paid-in capital | 27,853 | 27,503 | 23,636 | 1 | 18 |
| Retained earnings | 30,261 | 30,859 | 28,171 | (2) | 7 |
| Treasury shares, at cost | (139) | (85) | (459) | 64 | (70) |
| Accumulated other comprehensive income/(loss) | (15,875) | (16,179) | (15,903) | (2) | 0 |
| **Total shareholders' equity** | **42,164** | **42,162** | **35,498** | 0 | 19 |
| Goodwill | (7,999) | (8,114) | (8,389) | (1) | (5) |
| Other intangible assets | (210) | (210) | (243) | 0 | (14) |
| **Tangible shareholders' equity** [1] | **33,955** | **33,838** | **26,866** | 0 | 26 |
| **Shares outstanding (million)** | | | | | |
| Common shares issued | 1,596.1 | 1,595.4 | 1,320.8 | 0 | 21 |
| Treasury shares | (5.2) | (3.0) | (27.0) | 73 | (81) |
| **Shares outstanding** | **1,590.9** | **1,592.4** | **1,293.8** | 0 | 23 |
| **Par value (CHF)** | | | | | |
| **Par value** | **0.04** | **0.04** | **0.04** | 0 | 0 |
| **Book value per share (CHF)** | | | | | |
| **Total book value per share** | **26.50** | **26.48** | **27.44** | 0 | (3) |
| Goodwill per share | (5.03) | (5.10) | (6.48) | (1) | (22) |
| Other intangible assets per share | (0.13) | (0.13) | (0.19) | 0 | (32) |
| **Tangible book value per share** [1] | **21.34** | **21.25** | **20.77** | 0 | 3 |

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

# Risk management

In 4Q13, overall position risk increased 7%, utilized economic capital increased 5%, average risk management VaR in US dollars was stable at USD 44 million and gross impaired loans decreased 3% to CHF 1.5 billion.

## ECONOMIC CAPITAL AND POSITION RISK

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating).

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of methodology changes, prior-period balances are restated in order to show meaningful trends.

In 4Q13, we made an enhancement to the position risk methodology for risk management purposes. For our non-recourse lending business, we refined the modeling of our equity-based collateral to better capture the market risk associated with liquidating the collateral in a stressed environment. The impact of this methodology change on position risk for the Group as of the end of 3Q13 was an increase of CHF 66 million, or 0.6%. This increase was partially offset by a decrease of CHF 12 million due to an enhancement to the dataset, resulting in a CHF 54 million overall net increase in 3Q13 position risk.

For utilized economic capital used for capital management purposes, the impact of the above methodology change on position risk was simultaneously offset in part by the reversal of our previously budgeted estimate for this planned methodology change as reflected in other risks. The net impact of this methodology change on utilized economic capital for the Group as of the end of 3Q13 was an increase of CHF 40 million, or 0.1%. This increase was partially offset by a decrease of CHF 19 million due to the enhancement to the dataset, resulting in a CHF 21 million overall net increase in 3Q13 utilized economic capital.

‣ Refer to "Economic capital and position risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2012 for further information on economic capital and position risk.

### Key position risk trends

Position risk for risk management purposes as of the end of 4Q13 increased 7% compared to the end of 3Q13. Excluding the US dollar translation impact, position risk increased 9%, mainly due to higher interest rate, foreign exchange and credit spread exposures in fixed income trading as well as increased exposures in Eastern Europe in emerging markets country event risk. Position risk also increased due to new loan commitments in Investment Banking in international lending & counterparty exposures.

### Position risk

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 3,318 | 2,383 | 2,489 | 39 | 33 |
| Equity trading & investments | 1,715 | 1,652 | 1,893 | 4 | (9) |
| Private banking corporate & retail lending | 2,350 | 2,404 | 2,382 | (2) | (1) |
| International lending & counterparty exposures | 4,957 | 4,801 | 4,260 | 3 | 16 |
| Emerging markets country event risk | 1,412 | 1,046 | 1,041 | 35 | 36 |
| Real estate & structured assets [2] | 1,862 | 1,755 | 1,985 | 6 | (6) |
| **Simple sum across risk categories** | **15,614** | **14,041** | **14,050** | 11 | 11 |
| Diversification benefit [3] | (3,571) | (2,831) | (2,820) | 26 | 27 |
| **Position risk (99% confidence level for risk management purposes)** | **12,043** | **11,210** | **11,230** | 7 | 7 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

[1] This category comprises fixed income trading, foreign exchange and commodity exposures.

[2] This category comprises commercial and residential real estate (including RMBS and CMBS), asset-backed securities exposure, real estate acquired at auction and real estate fund investments.

[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

Compared to the end of 4Q12, position risk for risk management purposes increased 7%. Excluding the US dollar translation impact, position risk increased 10%, mainly due to higher foreign exchange, interest rate and credit spread exposure in fixed income trading as well as new loan commitments and increased counterparty risk in Investment Banking in international lending & counterparty exposures. Position risk also increased due to increased exposures in Eastern Europe in emerging markets country event risk. These increases were partially offset by reduced exposures in equity trading & investments due to private equity sales.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | in / end of | | % change | |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Economic capital resources (CHF million)** | | | | | |
| Look-through CET1 capital (Basel III) | 26,480 | 26,617 | 22,690 | (1) | 17 |
| Economic adjustments [1] | 11,464 | 9,170 | 9,391 | 25 | 22 |
| **Economic capital resources** | **37,944** | **35,787** | **32,081** | 6 | 18 |
| **Utilized economic capital (CHF million)** | | | | | |
| Position risk (99.97% confidence level) | 21,262 | 19,743 | 19,798 | 8 | 7 |
| Operational risk | 4,195 | 4,093 | 4,093 | 2 | 2 |
| Other risks [2] | 6,821 | 6,829 | 7,210 | 0 | (5) |
| **Utilized economic capital** | **32,278** | **30,665** | **31,101** | 5 | 4 |
| **Utilized economic capital by segment (CHF million)** | | | | | |
| Private Banking & Wealth Management | 9,200 | 9,469 | 9,646 | (3) | (5) |
| Investment Banking | 20,852 | 18,959 | 19,232 | 10 | 8 |
| Corporate Center [3] | 2,244 | 2,256 | 2,242 | (1) | 0 |
| **Utilized economic capital – Credit Suisse** [4] | **32,278** | **30,665** | **31,101** | 5 | 4 |
| **Average utilized economic capital by segment (CHF million)** | | | | | |
| Private Banking & Wealth Management | 9,334 | 9,569 | 9,809 | (2) | (5) |
| Investment Banking | 19,905 | 19,666 | 19,228 | 1 | 4 |
| Corporate Center [3] | 2,250 | 2,253 | 2,256 | 0 | 0 |
| **Average utilized economic capital – Credit Suisse** [5] | **31,471** | **31,469** | **31,282** | 0 | 1 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

1 Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

2 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain methodology changes planned for 2014.

3 Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

4 Includes a diversification benefit of CHF 18 million, CHF 19 million and CHF 19 million as of the end of 4Q13, 3Q13 and 4Q12, respectively.

5 Includes a diversification benefit of CHF 18 million, CHF 19 million and CHF 11 million as of the end of 4Q13, 3Q13 and 4Q12, respectively.

### Utilized economic capital trends

In 4Q13, our utilized economic capital increased 5%. Excluding the US dollar translation impact, utilized economic capital increased 6%, mainly due to higher position risk primarily in Investment Banking.

For Private Banking & Wealth Management, utilized economic capital decreased 3%, mainly due to decreased position risk in equity trading & investments and private banking corporate & retail lending, partially offset by increased emerging markets country event risk.

For Investment Banking, utilized economic capital increased 10%. Excluding the US dollar translation impact, utilized economic capital increased 12%, mainly due to increased position risk in fixed income trading, international lending & counterparty exposures and emerging markets country event risk.

For Corporate Center, utilized economic capital decreased 1%, mainly due to decreased position risk in equity trading & investments.

## MARKET RISK

### Trading portfolios

We primarily assume market risk through the trading activities in Investment Banking. Private Banking & Wealth Management also engages in trading activities, but to a much lesser extent. We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations. Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

Trading risks are measured using VaR along with a number of other risk measurement tools. VaR measures the potential loss in fair value of trading positions due to adverse market movements over a defined time horizon at a specified confidence level. VaR relies on historical data and is considered a useful tool for estimating potential loss in normal markets in which there are no abrupt changes in market conditions. We use risk management VaR for internal risk management purposes and regulatory VaR for regulatory capital purposes. For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. Our VaR methodology is the same for both VaR measures, except for the confidence levels and holding periods. Other tools, including stress testing, are more appropriate for modeling the impact from severe market conditions.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 4Q13, we updated our VaR models to better reflect that borrowing costs may differ from the risk-free rate when calculating forward equity prices and to better capture the volatility skew risk for foreign exchange products. The cumulative impact of these updates on the average 4Q13 risk management VaR was immaterial and prior periods have not been restated.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes an incremental risk charge, stressed VaR and, since January 1, 2013, consideration of the impact of changes in a counterparty's credit spreads (also known as CVA).

‣ Refer to "Market risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2012 for further information.

In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR was stable at USD 44 million from 3Q13, as an increase in equity exposures was offset by a reduction in interest rate and foreign exchange exposures and lower market volatility. Compared to 4Q12, average risk management VaR decreased 4% due to reduced residential mortgage-backed securities (RMBS), agency collateralized mortgage obligations and cash equity exposures.

Period-end risk management VaR increased 31% to USD 51 million from 3Q13. The increase mainly reflected higher equity exposures, partially offset by a reduction in market volatility. Compared to 4Q12, period-end risk management VaR increased 16%, reflecting increased equity exposures and reduced portfolio diversification benefit, partially offset by lower interest rate and foreign exchange exposures.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| in / end of | Interest rate & credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | Risk management VaR (98%) Total | Regulatory VaR (99%) Total |
|---|---|---|---|---|---|---|---|
| **4Q13 (CHF million)** | | | | | | | |
| Average | 36 | 8 | 2 | 17 | (23) | 40 | 32 |
| Minimum | 33 | 3 | 1 | 13 | –[1] | 33 | 22 |
| Maximum | 38 | 15 | 3 | 24 | –[1] | 45 | 44 |
| End of period | 33 | 6 | 3 | 24 | (21) | 45 | 31 |
| **3Q13 (CHF million)** | | | | | | | |
| Average | 38 | 9 | 2 | 14 | (22) | 41 | 36 |
| Minimum | 33 | 3 | 1 | 11 | –[1] | 33 | 27 |
| Maximum | 45 | 17 | 4 | 20 | –[1] | 48 | 52 |
| End of period | 37 | 6 | 2 | 14 | (24) | 35 | 28 |
| **4Q12 (CHF million)** | | | | | | | |
| Average | 47 | 9 | 2 | 20 | (35) | 43 | 44 |
| Minimum | 36 | 4 | 1 | 15 | –[1] | 34 | 34 |
| Maximum | 63 | 16 | 5 | 32 | –[1] | 56 | 53 |
| End of period | 44 | 12 | 2 | 17 | (35) | 40 | 52 |

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

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| in / end of | Interest rate & credit spread | Foreign exchange | Commodity | Equity | Diversi-fication benefit | Risk management VaR (98%) Total | Regulatory VaR (99%) Total |
|---|---|---|---|---|---|---|---|
| **4Q13 (USD million)** | | | | | | | |
| Average | 39 | 9 | 2 | 18 | (24) | 44 | 35 |
| Minimum | 37 | 3 | 1 | 15 | –[1] | 37 | 24 |
| Maximum | 42 | 17 | 4 | 27 | –[1] | 51 | 49 |
| End of period | 37 | 7 | 3 | 27 | (23) | 51 | 35 |
| **3Q13 (USD million)** | | | | | | | |
| Average | 41 | 10 | 2 | 15 | (24) | 44 | 39 |
| Minimum | 35 | 4 | 1 | 12 | –[1] | 35 | 30 |
| Maximum | 49 | 18 | 4 | 22 | –[1] | 51 | 54 |
| End of period | 41 | 7 | 2 | 16 | (27) | 39 | 31 |
| **4Q12 (USD million)** | | | | | | | |
| Average | 50 | 9 | 3 | 22 | (38) | 46 | 47 |
| Minimum | 38 | 5 | 1 | 16 | –[1] | 36 | 37 |
| Maximum | 68 | 17 | 5 | 35 | –[1] | 59 | 57 |
| End of period | 49 | 13 | 2 | 18 | (38) | 44 | 57 |

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

Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in 4Q13 and in the 12-month-period ending with such quarter. Since there were fewer than five backtesting exceptions in the rolling 12-month period ending as of the end of 4Q13, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

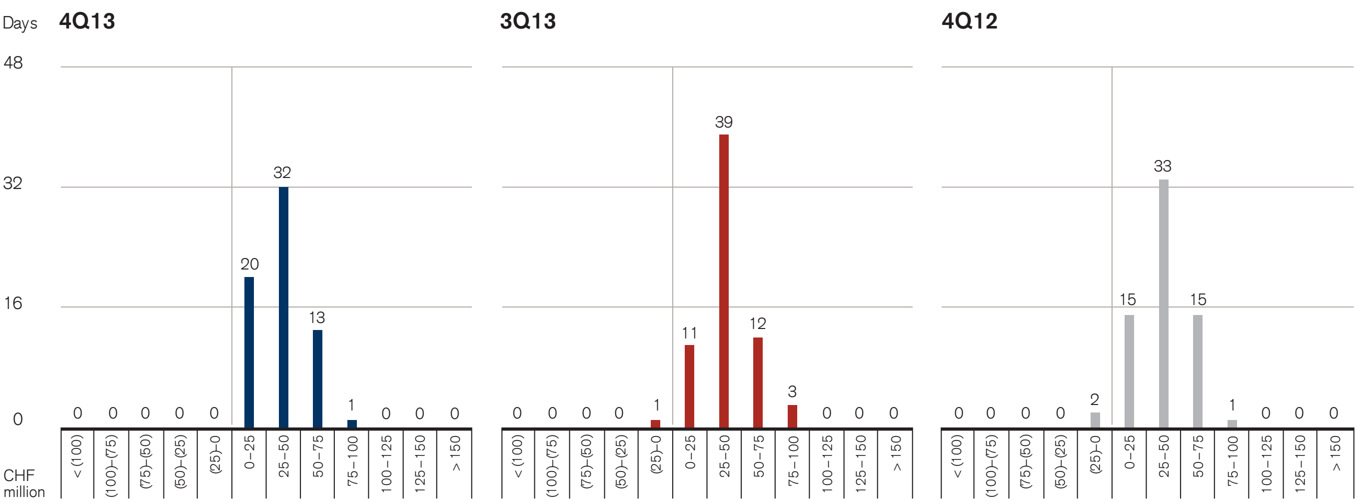
▸ Refer to "Risk measurement models" in Capital management – Regulatory capital framework for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 4Q13 with those for 3Q13 and 4Q12. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 4Q13, we had no trading loss days, compared to one trading loss day in 3Q13.

### Daily risk management VaR


Excludes risks associated with counterparty and own credit exposures.

### Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

### Banking portfolios

We assume non-trading interest rate risk through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase of the yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to a valuation increase of CHF 8.5 million as of the end of 4Q13 and 3Q13.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

### Sources of credit risk

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance.

‣ Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management in the Credit Suisse Annual Report 2012 for further information on credit risk.

‣ Refer to “Note 27 – Financial instruments” in III – Condensed consolidated financial statements – unaudited for further information on counterparty credit risk.

### Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

#### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses on our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our over-the-counter (OTC) derivative and reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

### Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country where its parent is located outside of the country.

The credit risk exposure in the table and the related description of developments is presented on a risk-based view before deduction of any related allowance for loan losses. Prior to our 4Q13 Financial Report, gross and net credit risk exposures were presented net of the allowance for loan losses. The net impact of this change in presentation was an increase of EUR 0.1 billion in both gross and net sovereign credit risk exposures to Greece as of the end of 4Q13. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps (TRS)).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain as of the end of 4Q13 was EUR 4.3 billion, down from EUR 4.5 billion as of the end of 3Q13. Our net exposure to these sovereigns was stable at EUR 0.8 billion compared to the end of 3Q13. Our non-sovereign risk-based credit risk exposure in these countries as of the end of 4Q13 included net exposure to financial institutions of EUR 2.3 billion and to corporates and other counterparties of EUR 1.9 billion, compared to EUR 1.3 billion and EUR 3.3 billion, respectively, as of the end of 3Q13. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

### Sovereign debt rating developments

In 4Q13, the long-term sovereign debt ratings of the countries listed in the table were affected as follows: Standard & Poor's increased Cyprus' rating to B– from CCC+ and Moody's increased Greece's rating to Caa3+ from C. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## Selected European credit risk exposures

| end of 4Q13 | Gross credit risk exposure | Risk mitigation | | Net credit risk exposure | Inventory [2] | | Total credit risk exposure | |
|---|---|---|---|---|---|---|---|---|
| | | CDS | Other [1] | | | Net synthetic inventory [3] | Gross | Net |
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.6 | 0.0 | 0.5 | 0.1 | 0.0 | (0.2) | 0.6 | 0.1 |
| **Total** | **0.6** | **0.0** | **0.5** | **0.1** | **0.0** | **(0.2)** | **0.6** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.6 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 |
| **Total** | **0.6** | **0.0** | **0.6** | **0.0** | **0.0** | **0.0** | **0.6** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Sovereigns | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Corporates & other | 0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.5** | **0.2** | **0.0** | **0.0** | **0.7** | **0.2** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 1.1 | 0.0 | 0.4 | 0.7 | 0.1 | (0.1) | 1.2 | 0.8 |
| Corporates & other | 0.7 | 0.0 | 0.6 | 0.1 | 0.0 | 0.0 | 0.7 | 0.1 |
| **Total** | **1.8** | **0.0** | **1.0** | **0.8** | **0.1** | **(0.1)** | **1.9** | **0.9** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 3.2 | 2.6 | 0.3 | 0.3 | 0.1 | (0.5) | 3.3 | 0.4 |
| Financial institutions | 1.5 | 0.0 | 1.0 | 0.5 | 0.2 | 0.0 | 1.7 | 0.7 |
| Corporates & other | 2.5 | 0.2 | 1.6 | 0.7 | 0.1 | (0.2) | 2.6 | 0.8 |
| **Total** | **7.2** | **2.8** | **2.9** | **1.5** | **0.4** | **(0.7)** | **7.6** | **1.9** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.1** | **(0.2)** | **0.4** | **0.1** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial institutions | 0.6 | 0.0 | 0.3 | 0.3 | 0.5 | 0.2 | 1.1 | 0.8 |
| Corporates & other | 1.9 | 0.1 | 1.0 | 0.8 | 0.1 | 0.0 | 2.0 | 0.9 |
| **Total** | **2.5** | **0.1** | **1.3** | **1.1** | **0.7** | **0.3** | **3.2** | **1.8** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.1 | 2.6 | 0.9 | 0.6 | 0.2 | (0.7) | 4.3 | 0.8 |
| Financial institutions | 3.4 | 0.0 | 1.9 | 1.5 | 0.8 | 0.0 | 4.2 | 2.3 |
| Corporates & other | 6.2 | 0.3 | 4.3 | 1.6 | 0.3 | (0.2) | 6.5 | 1.9 |
| **Total** | **13.7** | **2.9** | **7.1** | **3.7** | **1.3** | **(0.9)** | **15.0** | **5.0** |

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

## Credit risk overview

The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client.

## Credit risk

| | | end of | | | % change |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Balance sheet (CHF million)** | | | | | |
| Gross loans | 248,014 | 246,200 | 243,204 | 1 | 2 |
| Loans held-for-sale | 18,914 | 17,663 | 19,894 | 7 | (5) |
| Traded loans | 6,397 | 5,884 | 4,282 | 9 | 49 |
| Derivative instruments [1] | 33,665 | 39,129 | 37,138 | (14) | (9) |
| **Total balance sheet** | **306,990** | **308,876** | **304,518** | (1) | 1 |
| **Off-balance sheet (CHF million)** | | | | | |
| Irrevocable loan commitments [2] | 96,990 | 96,194 | 100,219 | 1 | (3) |
| Credit guarantees and similar instruments | 4,916 | 12,457 | 12,587 | (61) | (61) |
| Irrevocable commitments under documentary credits | 5,512 | 5,574 | 6,258 | (1) | (12) |
| **Total off-balance sheet** | **107,418** | **114,225** | **119,064** | (6) | (10) |
| **Total credit risk** | **414,408** | **423,101** | **423,582** | (2) | (2) |

Before risk mitigation, for example, collateral, credit hedges.
[1] Positive replacement value after netting agreements.
[2] Irrevocable loan commitments do not include unused credit limits which are revocable at the Group's sole discretion upon notice to the client. Prior periods have been adjusted to the current presentation.

## Loan exposure

Compared to the end of 3Q13, gross loans increased CHF 1.8 billion to CHF 248.0 billion. In Private Banking & Wealth Management, gross loans were CHF 216.5 billion, up CHF 1.6 billion from 3Q13, reflecting increased lending driven by the real estate sector, loans collateralized by securities and residential mortgages, partially offset by the reclassification of the loans relating to our domestic private banking business booked in Germany to discontinued assets held-for-sale. Gross loans in Investment Banking increased CHF 209 million to CHF 31.5 billion, primarily from increases in commercial and industrial loans, loans to financial institutions and loans to governments and public institutions, partially offset by the US dollar translation impact.

Gross impaired loans decreased 3% to CHF 1.5 billion compared to the end of 3Q13. In Private Banking & Wealth Management, gross impaired loans decreased CHF 36 million to CHF 1.2 billion, primarily due to lower non-performing and non-interest-earning loans, partially offset by higher potential problem loans. In Investment Banking, gross impaired loans decreased CHF 14 million to CHF 252 million, primarily due to the repayment of a restructured loan.

We recorded a net provision for credit losses of CHF 53 million in 4Q13, stable compared to 3Q13, with a net provision of CHF 44 million and CHF 8 million in Private Banking & Wealth Management and Investment Banking, respectively.

Compared to the end of 4Q12, gross loans increased 2%. An increase in Private Banking & Wealth Management of 4% was primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact, a decrease in consumer finance and the reclassification of the loans relating to our domestic private banking business booked in Germany. In Investment Banking, a decrease of 9% was related to lower loans to financial institutions and consumer finance and the US dollar translation impact, partially offset by higher loans to governments and public institutions, commercial and industrial loans and loans to the real estate sector. Gross impaired loans decreased 14% driven by decreases in potential problem loans and non-interest-earning loans across the Group.

## Loans

| | Private Banking & Wealth Management | | | Investment Banking | | | Credit Suisse [1] | | |
|---|---|---|---|---|---|---|---|---|---|
| end of | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 |
| **Loans (CHF million)** | | | | | | | | | |
| Mortgages | 94,978 | 94,369 | 91,872 | 0 | 0 | 0 | 94,978 | 94,369 | 91,872 |
| Loans collateralized by securities | 31,565 | 30,872 | 27,363 | 0 | 0 | 0 | 31,565 | 30,872 | 27,363 |
| Consumer finance | 5,672 | 5,942 | 6,290 | 266 | 287 | 611 | 5,938 | 6,229 | 6,901 |
| Consumer | 132,215 | 131,183 | 125,525 | 266 | 287 | 611 | 132,481 | 131,470 | 126,136 |
| Real estate | 26,557 | 25,628 | 25,253 | 755 | 860 [2] | 548 [2] | 27,312 | 26,488 [2] | 25,801 [2] |
| Commercial and industrial loans | 48,953 | 49,018 | 48,860 | 14,356 | 14,194 [2] | 14,148 [2] | 63,334 | 63,236 [2] | 63,028 [2] |
| Financial institutions | 7,538 | 7,804 | 7,616 | 14,302 | 14,314 [2] | 18,286 [2] | 21,840 | 22,118 [2] | 25,902 [2] |
| Governments and public institutions | 1,236 | 1,262 | 1,272 | 1,811 | 1,626 [2] | 1,065 [2] | 3,047 | 2,888 [2] | 2,337 [2] |
| Corporate & institutional | 84,284 [3] | 83,712 [3] | 83,001 [3] | 31,224 | 30,994 | 34,047 | 115,533 | 114,730 | 117,068 |
| **Gross loans** | **216,499** | **214,895** | **208,526** | **31,490** | **31,281** | **34,658** | **248,014** | **246,200** | **243,204** |
| of which held at fair value | 226 | 231 | 257 | 19,231 | 18,792 | 19,743 | 19,457 | 19,023 | 20,000 |
| Net (unearned income) / deferred expenses | (71) | (77) | (39) | (20) | (20) | (20) | (91) | (97) | (59) |
| Allowance for loan losses [4] | (715) | (723) | (785) | (151) | (146) | (137) | (869) | (871) | (922) |
| **Net loans** | **215,713** | **214,095** | **207,702** | **31,319** | **31,115** | **34,501** | **247,054** | **245,232** | **242,223** |
| **Impaired loans (CHF million)** | | | | | | | | | |
| Non-performing loans | 608 | 645 | 604 | 251 | 246 | 255 | 862 | 893 | 859 |
| Non-interest-earning loans | 280 | 301 | 309 | 1 | 1 | 4 | 281 | 302 | 313 |
| Total non-performing and non-interest-earning loans | 888 | 946 | 913 | 252 | 247 | 259 | 1,143 | 1,195 | 1,172 |
| Restructured loans | 6 | 0 | 0 | 0 | 19 | 30 | 6 | 19 | 30 |
| Potential problem loans | 340 | 324 | 513 | 0 | 0 | 14 | 340 | 324 | 527 |
| Total other impaired loans | 346 | 324 | 513 | 0 | 19 | 44 | 346 | 343 | 557 |
| **Gross impaired loans [4]** | **1,234** | **1,270** | **1,426** | **252** | **266** | **303** | **1,489** | **1,538** | **1,729** |
| of which loans with a specific allowance | 1,165 | 1,189 | 1,307 | 244 | 239 | 204 | 1,412 | 1,430 | 1,511 |
| of which loans without a specific allowance | 69 | 81 | 119 | 8 | 27 | 99 | 77 | 108 | 218 |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period [4]** | **723** | **757** | **761** | **146** | **141** | **136** | **871** | **900** | **897** |
| Change in scope of consolidation | 0 | (1) | 0 | 0 | 0 | 0 | 0 | (1) | 0 |
| Net movements recognized in statements of operations | 41 | 34 | 67 | 12 | 9 | 17 | 54 | 43 | 84 |
| Gross write-offs | (56) | (72) | (59) | (4) | (1) | (6) | (60) | (73) | (65) |
| Recoveries | 7 | 10 | 6 | (1) | 2 | 1 | 6 | 12 | 7 |
| Net write-offs | (49) | (62) | (53) | (5) | 1 | (5) | (54) | (61) | (58) |
| Provisions for interest | 1 | 4 | 3 | 5 | 3 | 6 | 6 | 7 | 9 |
| Foreign currency translation impact and other adjustments, net | (1) | (9) | 7 | (7) | (8) | (17) | (8) | (17) | (10) |
| **Balance at end of period [4]** | **715** | **723** | **785** | **151** | **146** | **137** | **869** | **871** | **922** |
| of which individually evaluated for impairment | 537 | 536 | 598 | 114 | 109 | 98 | 654 | 647 | 696 |
| of which collectively evaluated for impairment | 178 | 187 | 187 | 37 | 37 | 39 | 215 | 224 | 226 |
| **Loan metrics (%)** | | | | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [5] | 0.4 | 0.4 | 0.4 | 2.1 | 2.0 | 1.7 | 0.5 | 0.5 | 0.5 |
| Gross impaired loans / Gross loans [5] | 0.6 | 0.6 | 0.7 | 2.1 | 2.1 | 2.0 | 0.7 | 0.7 | 0.8 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [4] | 80.5 | 76.4 | 86.0 | 59.9 | 59.1 | 52.9 | 76.0 | 72.9 | 78.7 |
| Allowance for loan losses / Gross impaired loans [4] | 57.9 | 56.9 | 55.0 | 59.9 | 54.9 | 45.2 | 58.4 | 56.6 | 53.3 |

[1] Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
[2] Prior periods have been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions and from governments and public institutions to commercial and industrial loans, respectively.
[3] Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 67,522 million, CHF 65,953 million and CHF 64,536 million as of the end of 4Q13, 3Q13 and 4Q12, respectively.
[4] Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
[5] Excludes loans carried at fair value.

## OPERATIONAL RISK

We have used an internal model to calculate the regulatory capital requirement for operational risk under the Advanced Measurement Approach (AMA) since 2008. In 2012, following discussions with FINMA, we initiated a project to enhance our internal model to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model has been approved by FINMA for calculating the regulatory capital requirement for operational risk with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative compared with the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as risk and control self-assessment results and risk and control indicators, to provide a forward-looking assessment of each scenario. The AMA capital calculation approved by FINMA includes all litigation-related provisions and also an add-on component relating to the aggregate range of reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions. In 4Q13, this new approach to litigation-related provisions and reasonably possible litigation losses has been applied to the previous AMA model used to calculate regulatory capital requirements as of December 31, 2013. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the $99.9^{th}$ percentile of this overall loss distribution.

# Balance sheet and off-balance sheet

Total assets were CHF 872.8 billion, total liabilities were CHF 825.6 billion and total equity was CHF 47.2 billion. Both total assets and total liabilities were down 2% for the quarter, driven in both cases by the foreign exchange translation impact and a decrease from operating activities. The majority of our transactions are recorded on our balance sheet, however, we also enter into transactions that give rise to both on and off-balance sheet exposure.

### Balance sheet summary

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | QoQ | YoY |
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 68,692 | 69,600 | 61,763 | (1) | 11 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 160,022 | 161,876 | 183,455 | (1) | (13) |
| Trading assets | 229,413 | 244,422 | 256,399 | (6) | (11) |
| Net loans | 247,054 | 245,232 | 242,223 | 1 | 2 |
| Brokerage receivables | 52,045 | 56,699 | 45,768 | (8) | 14 |
| All other assets | 115,580 | 117,340 | 134,672 | (1) | (14) |
| **Total assets** | **872,806** | **895,169** | **924,280** | (2) | (6) |
| **Liabilities and equity (CHF million)** | | | | | |
| Due to banks | 23,108 | 27,481 | 31,014 | (16) | (25) |
| Customer deposits | 333,089 | 328,244 | 308,312 | 1 | 8 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 94,032 | 94,193 | 132,721 | 0 | (29) |
| Trading liabilities | 76,635 | 92,350 | 90,816 | (17) | (16) |
| Long-term debt | 130,042 | 128,821 | 148,134 | 1 | (12) |
| Brokerage payables | 73,154 | 78,445 | 64,676 | (7) | 13 |
| All other liabilities | 95,580 | 96,624 | 106,323 | (1) | (10) |
| **Total liabilities** | **825,640** | **846,158** | **881,996** | (2) | (6) |
| **Total shareholders' equity** | **42,164** | **42,162** | **35,498** | 0 | 19 |
| Noncontrolling interests | 5,002 | 6,849 | 6,786 | (27) | (26) |
| **Total equity** | **47,166** | **49,011** | **42,284** | (4) | 12 |
| **Total liabilities and equity** | **872,806** | **895,169** | **924,280** | (2) | (6) |

## BALANCE SHEET

Total assets were CHF 872.8 billion as of the end of 4Q13, down CHF 22.4 billion, or 2%, from the end of 3Q13, reflecting the foreign exchange translation impact and a decrease from operating activities. Excluding the foreign exchange translation impact, total assets decreased CHF 9.5 billion.

Compared to the end of 3Q13, trading assets decreased CHF 15.0 billion, or 6%, due to decreases in debt and equity securities and derivative instruments. Brokerage receivables decreased CHF 4.7 billion, or 8%, primarily reflecting a decrease in open trades and the foreign exchange translation impact. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions were stable at CHF 160.0 billion. Cash and due from banks were stable at CHF 68.7 billion. Net loans increased CHF 1.8 billion, primarily reflecting increased lending in Private Banking & Wealth Management, driven by the real estate sector, loans collateralized by securities and residential mortgages. All other assets were stable at CHF 115.6 billion, including decreases of CHF 1.8 billion in securities received as collateral, CHF 0.8 in other investments and CHF 0.5 billion in other assets, offset by an increase of CHF 1.5 billion in assets of discontinued operations reclassified as held-for-sale.

Total liabilities were CHF 825.6 billion as of the end of 4Q13, down CHF 20.5 billion, or 2%, from the end of 3Q13, driven by a decrease from operating activities and the foreign exchange translation impact. Excluding the foreign exchange translation impact, total liabilities decreased CHF 9.8 billion.

Compared to the end of 3Q13, trading liabilities decreased CHF 15.7 billion, or 17%, reflecting decreases in derivative instruments and short positions. Brokerage payables decreased CHF 5.3 billion, or 7%, primarily due to lower client activity and the foreign exchange translation impact. Due to banks decreased CHF 4.4 billion, or 16%, mainly driven by maturing of deposits with central banks. Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions were stable at CHF 94.0 billion. Long-term debt was stable at CHF 130.0 billion, as issuances of senior and subordinated debt were offset by maturing of senior debt and the foreign exchange translation impact. Customer deposits increased CHF 4.8 billion, or 1%, primarily driven by an increase in certificates of deposits. All other liabilities were stable at CHF 95.6 billion, including decreases of CHF 1.8 billion in obligation to return securities received as collateral and CHF 0.4 billion in other liabilities, offset by an increase of CHF 1.1 billion in liabilities of discontinued operations reclassified as held-for-sale.

▸ Refer to "Funding sources and uses" in Liquidity and funding management and "Capital management" for further information, including our funding of the balance sheet and the leverage ratio.

## OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

▸ Refer to "Liquidity and funding management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2012 and "Note 25 – Guarantees and commitments" and "Note 29 – Litigation" in III – Condensed consolidated financial statements – unaudited for further information.

III

# Condensed consolidated financial statements – unaudited

## Notes to the condensed consolidated financial statements – unaudited

# Condensed consolidated financial statements – unaudited

## Consolidated statements of operations (unaudited)

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | | |
| Interest and dividend income | 4,073 | 4,441 | 4,840 | 19,556 | 22,090 |
| Interest expense | (2,326) | (2,519) | (2,902) | (11,441) | (14,947) |
| Net interest income | 1,747 | 1,922 | 1,938 | 8,115 | 7,143 |
| Commissions and fees | 3,425 | 3,015 | 3,455 | 13,226 | 12,724 |
| Trading revenues | 295 | 272 | (147) | 2,739 | 1,196 |
| Other revenues | 672 | 467 | 460 | 1,776 | 2,548 |
| **Net revenues** | **6,139** | **5,676** | **5,706** | **25,856** | **23,611** |
| **Provision for credit losses** | **53** | **41** | **70** | **167** | **170** |
| Compensation and benefits | 2,807 | 2,532 | 2,649 | 11,256 | 12,303 |
| General and administrative expenses | 3,223 | 1,771 | 2,106 | 8,599 | 7,246 |
| Commission expenses | 389 | 422 | 433 | 1,738 | 1,702 |
| Total other operating expenses | 3,612 | 2,193 | 2,539 | 10,337 | 8,948 |
| **Total operating expenses** | **6,419** | **4,725** | **5,188** | **21,593** | **21,251** |
| **Income/(loss) from continuing operations before taxes** | **(333)** | **910** | **448** | **4,096** | **2,190** |
| Income tax expense/(benefit) | (63) | 368 | 85 | 1,276 | 465 |
| **Income/(loss) from continuing operations** | **(270)** | **542** | **363** | **2,820** | **1,725** |
| Income/(loss) from discontinued operations, net of tax | (2) | 150 | (31) | 145 | (40) |
| **Net income/(loss)** | **(272)** | **692** | **332** | **2,965** | **1,685** |
| Net income attributable to noncontrolling interests | 204 | 238 | 69 | 639 | 336 |
| **Net income/(loss) attributable to shareholders** | **(476)** | **454** | **263** | **2,326** | **1,349** |
| of which from continuing operations | (474) | 304 | 294 | 2,181 | 1,389 |
| of which from discontinued operations | (2) | 150 | (31) | 145 | (40) |
| **Basic earnings per share (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | 1.14 | 0.82 |
| Basic earnings/(loss) per share from discontinued operations | 0.00 | 0.09 | (0.02) | 0.08 | (0.03) |
| **Basic earnings/(loss) per share** | **(0.37)** | **0.26** | **0.09** | **1.22** | **0.79** |
| **Diluted earnings per share (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | 1.14 | 0.82 |
| Diluted earnings/(loss) per share from discontinued operations | 0.00 | 0.09 | (0.02) | 0.08 | (0.03) |
| **Diluted earnings/(loss) per share** | **(0.37)** | **0.26** | **0.09** | **1.22** | **0.79** |

## Consolidated statements of comprehensive income (unaudited)

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | |
| Net income/(loss) | (272) | 692 | 332 | 2,965 | 1,685 |
| Gains/(losses) on cash flow hedges | 11 | 20 | 12 | 18 | 37 |
| Foreign currency translation | (578) | (1,204) | (886) | (1,021) | (1,114) |
| Unrealized gains/(losses) on securities | (11) | 0 | (5) | (32) | (15) |
| Actuarial gains/(losses) | 836 | 57 | (232) | 1,044 | (50) |
| Net prior service credit/(cost) | (15) | (22) | 300 | (95) | 248 |
| Other comprehensive income/(loss), net of tax | 243 | (1,149) | (811) | (86) | (894) |
| **Comprehensive income/(loss)** | **(29)** | **(457)** | **(479)** | **2,879** | **791** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 143 | 67 | (37) | 525 | 211 |
| **Comprehensive income/(loss) attributable to shareholders** | **(172)** | **(524)** | **(442)** | **2,354** | **580** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated balance sheets (unaudited)

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | 68,692 | 69,600 | 61,763 |
| of which reported at fair value | 527 | 278 | 569 |
| of which reported from consolidated VIEs | 952 | 1,263 | 1,750 |
| Interest-bearing deposits with banks | 1,515 | 1,664 | 1,945 |
| of which reported at fair value | 311 | 367 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 160,022 | 161,876 | 183,455 |
| of which reported at fair value | 96,587 | 91,288 | 113,664 |
| of which reported from consolidated VIEs | 1,959 | 1,848 | 117 |
| Securities received as collateral, at fair value | 22,800 | 24,640 | 30,045 |
| of which encumbered | 17,964 | 20,147 | 17,767 |
| Trading assets, at fair value | 229,413 | 244,422 | 256,399 |
| of which encumbered | 72,976 | 74,930 | 70,948 |
| of which reported from consolidated VIEs | 3,610 | 3,925 | 4,697 |
| Investment securities | 2,987 | 2,768 | 3,498 |
| of which reported at fair value | 2,987 | 2,768 | 3,498 |
| of which reported from consolidated VIEs | 100 | 126 | 23 |
| Other investments | 10,329 | 11,082 | 12,022 |
| of which reported at fair value | 7,596 | 8,183 | 8,994 |
| of which reported from consolidated VIEs | 1,983 | 2,049 | 2,289 |
| Net loans | 247,054 | 245,232 | 242,223 |
| of which reported at fair value | 19,457 | 19,023 | 20,000 |
| of which encumbered | 638 | 546 | 535 |
| of which reported from consolidated VIEs | 4,207 | 4,659 | 6,053 |
| allowance for loan losses | (869) | (871) | (922) |
| Premises and equipment | 5,091 | 5,287 | 5,618 |
| of which reported from consolidated VIEs | 513 | 524 | 581 |
| Goodwill | 7,999 | 8,114 | 8,389 |
| Other intangible assets | 210 | 210 | 243 |
| of which reported at fair value | 42 | 35 | 43 |
| Brokerage receivables | 52,045 | 56,699 | 45,768 |
| Other assets | 63,065 | 63,529 | 72,912 |
| of which reported at fair value | 31,518 | 31,679 | 37,275 |
| of which encumbered | 722 | 731 | 1,495 |
| of which reported from consolidated VIEs | 14,330 | 14,102 | 14,536 |
| Assets of discontinued operations held-for-sale | 1,584 | 46 | 0 |
| **Total assets** | **872,806** | **895,169** | **924,280** |

## Consolidated balance sheets (unaudited) (continued)

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 23,108 | 27,481 | 31,014 |
| of which reported at fair value | 1,450 | 1,820 | 3,413 |
| Customer deposits | 333,089 | 328,244 | 308,312 |
| of which reported at fair value | 3,252 | 3,657 | 4,643 |
| of which reported from consolidated VIEs | 265 | 212 | 247 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 94,032 | 94,193 | 132,721 |
| of which reported at fair value | 76,104 | 78,095 | 108,784 |
| Obligation to return securities received as collateral, at fair value | 22,800 | 24,640 | 30,045 |
| Trading liabilities, at fair value | 76,635 | 92,350 | 90,816 |
| of which reported from consolidated VIEs | 93 | 95 | 125 |
| Short-term borrowings | 20,193 | 20,094 | 18,641 |
| of which reported at fair value | 6,053 | 6,025 | 4,513 |
| of which reported from consolidated VIEs | 4,286 | 4,747 | 9,582 |
| Long-term debt | 130,042 | 128,821 | 148,134 |
| of which reported at fair value | 63,369 | 61,874 | 65,384 |
| of which reported from consolidated VIEs | 12,992 | 13,715 | 14,532 |
| Brokerage payables | 73,154 | 78,445 | 64,676 |
| Other liabilities | 51,447 | 51,884 | 57,637 |
| of which reported at fair value | 21,973 | 22,991 | 26,871 |
| of which reported from consolidated VIEs | 710 | 1,033 | 1,228 |
| Liabilities of discontinued operations held-for-sale | 1,140 | 6 | 0 |
| **Total liabilities** | **825,640** | **846,158** | **881,996** |
| Common shares | 64 | 64 | 53 |
| Additional paid-in capital | 27,853 | 27,503 | 23,636 |
| Retained earnings | 30,261 | 30,859 | 28,171 |
| Treasury shares, at cost | (139) | (85) | (459) |
| Accumulated other comprehensive income/(loss) | (15,875) | (16,179) | (15,903) |
| **Total shareholders' equity** | **42,164** | **42,162** | **35,498** |
| Noncontrolling interests | 5,002 | 6,849 | 6,786 |
| **Total equity** | **47,166** | **49,011** | **42,284** |
| **Total liabilities and equity** | **872,806** | **895,169** | **924,280** |

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Additional share information** | | | |
| Par value (CHF) | 0.04 | 0.04 | 0.04 |
| Authorized shares [1] | 2,269,616,660 | 2,269,616,660 | 2,118,134,039 |
| Common shares issued | 1,596,119,349 | 1,595,433,898 | 1,320,829,922 |
| Treasury shares | (5,183,154) | (3,032,833) | (27,036,831) |
| Shares outstanding | 1,590,936,195 | 1,592,401,065 | 1,293,793,091 |

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 4Q13 (CHF million) | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Noncontrolling interests | **Total equity** |
| **Balance at beginning of period** | **64** | **27,503** | **30,859** | **(85)** | **(16,179)** | **42,162** | **6,849** | **49,011** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 216 | – | – | – | 216 | (22) | 194 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (1,876) | (1,876) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 81 | 81 |
| Net income/(loss) | – | – | (476) | – | – | (476) | 213 [3] | (263) |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 304 | 304 | (61) | 243 |
| Issuance of common shares | – | 18 | – | – | – | 18 | – | 18 |
| Sale of treasury shares | – | (6) | – | 2,847 | – | 2,841 | – | 2,841 |
| Repurchase of treasury shares | – | – | – | (2,904) | – | (2,904) | – | (2,904) |
| Share-based compensation, net of tax | – | 308 [4] | – | 3 | – | 311 | – | 311 |
| Financial instruments indexed to own shares [5] | – | (172) | – | – | – | (172) | – | (172) |
| Dividends paid | – | – | (122) | – | – | (122) | (19) | (141) |
| Changes in redeemable noncontrolling interests | – | (5) | – | – | – | (5) | – | (5) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (163) | (163) |
| Other | – | (9) | – | – | – | (9) | – | (9) |
| **Balance at end of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Net income attributable to noncontrolling interests excludes CHF (9) million due to redeemable noncontrolling interests.
[4] Includes a net tax benefit of CHF 2 million from the excess fair value of shares delivered over recognized compensation expense.
[5] The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu-lated other compre-hensive income | **Total share-holders' equity** | Non-controlling interests | **Total equity** |
| **3Q13 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **64** | **27,196** | **30,405** | **(62)** | **(15,201)** | **42,402** | **7,005** | **49,407** |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (212) | (212) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 59 | 59 |
| Net income/(loss) | – | – | 454 | – | – | 454 | 241 | 695 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (978) | (978) | (171) | (1,149) |
| Issuance of common shares | – | 30 | – | – | – | 30 | – | 30 |
| Sale of treasury shares | – | 1 | – | 1,794 | – | 1,795 | – | 1,795 |
| Repurchase of treasury shares | – | – | – | (1,819) | – | (1,819) | – | (1,819) |
| Share-based compensation, net of tax | – | 280 | – | 2 | – | 282 | – | 282 |
| Financial instruments indexed to own shares | – | (1) | – | – | – | (1) | – | (1) |
| Dividends paid | – | – | – | – | – | – | (17) | (17) |
| Changes in redeemable noncontrolling interests | – | (3) | – | – | – | (3) | – | (3) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (56) | (56) |
| **Balance at end of period** | **64** | **27,503** | **30,859** | **(85)** | **(16,179)** | **42,162** | **6,849** | **49,011** |
| **4Q12 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,273** | **28,025** | **(471)** | **(15,198)** | **35,682** | **7,151** | **42,833** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | – | – | – | – | – | (4) | (4) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (314) | (314) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 21 | 21 |
| Net income/(loss) | – | – | 263 | – | – | 263 | 73 | 336 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (705) | (705) | (106) | (811) |
| Issuance of common shares | – | 16 | – | – | – | 16 | – | 16 |
| Sale of treasury shares | – | (8) | – | 2,385 | – | 2,377 | – | 2,377 |
| Repurchase of treasury shares | – | – | – | (2,375) | – | (2,375) | – | (2,375) |
| Share-based compensation, net of tax | – | 356 | – | 2 | – | 358 | – | 358 |
| Financial instruments indexed to own shares | – | 1 | – | – | – | 1 | – | 1 |
| Dividends paid | – | – | (117) | – | – | (117) | (13) | (130) |
| Change in scope of consolidation, net | – | – | – | – | – | – | (22) | (22) |
| Other | – | (2) | – | – | – | (2) | – | (2) |
| **Balance at end of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of changes in equity (unaudited) (continued)

| | Attributable to shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | **Total shareholders' equity** | Non-controlling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 216 | – | – | – | 216 | (22) | 194 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2] | – | – | – | – | – | – | (2,467) | (2,467) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [2] | – | – | – | – | – | – | 438 | 438 |
| Net income/(loss) | – | – | 2,326 | – | – | 2,326 | 651 [3] | 2,977 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | 28 | 28 | (114) | (86) |
| Issuance of common shares | 11 | 4,222 | – | – | – | 4,233 | – | 4,233 |
| Sale of treasury shares | – | (50) | – | 10,360 | – | 10,310 | – | 10,310 |
| Repurchase of treasury shares | – | – | – | (10,202) | – | (10,202) | – | (10,202) |
| Share-based compensation, net of tax | – | 213 [4] | – | 162 | – | 375 | – | 375 |
| Financial instruments indexed to own shares [5] | – | (93) | – | – | – | (93) | – | (93) |
| Dividends paid | – | (269) [6] | (236) | – | – | (505) | (59) | (564) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (211) | (211) |
| Other | – | (9) | – | – | – | (9) | – | (9) |
| **Balance at end of period** | **64** | **27,853** | **30,261** | **(139)** | **(15,875)** | **42,164** | **5,002** | **47,166** |
| **2012 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **49** | **21,796** | **27,053** | **(90)** | **(15,134)** | **33,674** | **7,411** | **41,085** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 44 | – | – | – | 44 | (4) | 40 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (809) | (809) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 116 | 116 |
| Net income/(loss) | – | – | 1,349 | – | – | 1,349 | 347 | 1,696 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (769) | (769) | (125) | (894) |
| Issuance of common shares | 4 | 1,926 | – | – | – | 1,930 | – | 1,930 |
| Sale of treasury shares | – | (3) | – | 8,358 | – | 8,355 | – | 8,355 |
| Repurchase of treasury shares | – | – | – | (8,859) | – | (8,859) | – | (8,859) |
| Share-based compensation, net of tax | – | 932 | – | 132 | – | 1,064 | – | 1,064 |
| Financial instruments indexed to own shares | – | (9) | – | – | – | (9) | – | (9) |
| Dividends paid | – | (1,011) | (231) | – | – | (1,242) | (54) | (1,296) |
| Changes in redeemable noncontrolling interests | – | (7) | – | – | – | (7) | – | (7) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (96) | (96) |
| Other | – | (32) | – | – | – | (32) | – | (32) |
| **Balance at end of period** | **53** | **23,636** | **28,171** | **(459)** | **(15,903)** | **35,498** | **6,786** | **42,284** |

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Net income attributable to noncontrolling interests excludes CHF (12) million due to redeemable noncontrolling interests.
[4] Includes a net tax charge of CHF 24 million from the excess recognized compensation expense over fair value of shares delivered.
[5] The Group had purchased certain call options on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[6] Paid out of reserves from capital contributions.

## Consolidated statements of cash flows (unaudited)

| in | 2013 | 2012 |
|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | |
| **Net income** | **2,965** | **1,685** |
| (Income)/loss from discontinued operations, net of tax | (145) | 40 |
| **Income from continuing operations** | **2,820** | **1,725** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | |
| Impairment, depreciation and amortization | 1,345 | 1,294 |
| Provision for credit losses | 167 | 170 |
| Deferred tax provision/(benefit) | 695 | (255) |
| Share of net income/(loss) from equity method investments | 34 | 80 |
| Trading assets and liabilities, net | 13,961 | (14,348) |
| (Increase)/decrease in other assets | (6,902) | (1,146) |
| Increase/(decrease) in other liabilities | 9,992 | (4,772) |
| Other, net | (38) | 4,584 |
| Total adjustments | 19,254 | (14,393) |
| **Net cash provided by/(used in) operating activities of continuing operations** | **22,074** | **(12,668)** |
| **Investing activities of continuing operations (CHF million)** | | |
| (Increase)/decrease in interest-bearing deposits with banks | 538 | 184 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 17,120 | 46,952 |
| Purchase of investment securities | (677) | (480) |
| Proceeds from sale of investment securities | 176 | 936 |
| Maturities of investment securities | 832 | 1,626 |
| Investments in subsidiaries and other investments | (1,792) | (2,039) |
| Proceeds from sale of other investments | 3,737 | 3,104 |
| (Increase)/decrease in loans | (9,126) | (11,022) |
| Proceeds from sales of loans | 1,483 | 1,090 |
| Capital expenditures for premises and equipment and other intangible assets | (903) | (1,242) |
| Proceeds from sale of premises and equipment and other intangible assets | 9 | 26 |
| Other, net | 122 | 3,683 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **11,519** | **42,818** |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

## Consolidated statements of cash flows (unaudited) (continued)

| in | 2013 | 2012 |
|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | |
| Increase/(decrease) in due to banks and customer deposits | 22,463 | (12,567) |
| Increase/(decrease) in short-term borrowings | 6,002 | (7,840) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (36,347) | (39,958) |
| Issuances of long-term debt | 39,090 | 38,405 |
| Repayments of long-term debt | (55,135) | (55,936) |
| Issuances of common shares | 976 | 1,930 |
| Sale of treasury shares | 9,764 | 8,355 |
| Repurchase of treasury shares | (10,202) | (8,859) |
| Dividends paid | (564) | (1,296) |
| Other, net | (468) | 394 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(24,421)** | **(77,372)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | |
| **Effect of exchange rate changes on cash and due from banks** | **(1,216)** | **(1,242)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | |
| **Net cash provided by/(used in) discontinued operations** | **(1,027)** | **(346)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | |
| **Net increase/(decrease) in cash and due from banks** | **6,929** | **(48,810)** |
| Cash and due from banks at beginning of period | 61,763 | 110,573 |
| **Cash and due from banks at end of period** | **68,692** | **61,763** |

## Supplemental cash flow information (unaudited)

| in | 2013 | 2012 |
|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | |
| Cash paid for income taxes | 833 | 1,073 |
| Cash paid for interest | 11,876 | 15,004 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | |
| Fair value of assets acquired | 4 | 2,418 |
| Fair value of liabilities assumed | 0 | 2,418 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | |
| Assets sold | 374 | 0 |
| Liabilities sold | 170 | 0 |

The accompanying notes to the condensed consolidated financial statements – unaudited are an integral part of these statements.

# Notes to the condensed consolidated financial statements – unaudited

## Note 1 Summary of significant accounting policies

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group AG (the Group) are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2012 included in the Credit Suisse Annual Report 2012.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for a description of the Group's significant accounting policies.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the periods presented. The 3Q13 consolidated statements of operations and comprehensive income, the 3Q13 consolidated balance sheets and the 3Q13 consolidated statements of changes in equity have been added for convenience of the reader and are not a required presentation under US GAAP.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 Recently issued accounting standards

**Recently adopted accounting standards**

The following provides the most relevant recently adopted accounting standards.

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for a description of accounting standards adopted in 2012.

### ASC Topic 210 – Balance Sheet

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities" (ASU 2011-11), an update to Accounting Standards Codification (ASC) Topic 210 – Balance Sheet. The amendments in ASU 2011-11 require an entity to prepare additional disclosures about offsetting and related arrangements. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" (ASU 2013-01), an update to ASC Topic 210 – Balance Sheet. ASU 2013-01 clarifies the scope of ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 20 – Offsetting of financial assets and financial liabilities" for further information.

### ASC Topic 220 – Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02), an update to ASC Topic 220 – Comprehensive Income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. The adoption of ASU 2013-02 on January 1, 2013 did not have an impact on the Group's financial position, results of operations or cash flows.

▸ Refer to "Note 19 – Accumulated other comprehensive income and additional share information" for further information.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05), an update to ASC Topic 220 – Comprehensive Income. ASU 2011-05 provides the entity with an option to present total comprehensive income either in a single continuous statement or in two separate but consecutive statements. The adoption of ASU 2011-05 on January 1, 2012 did not have an impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 360 – Property, Plant and Equipment

In December 2011, the FASB issued ASU 2011-10, "Derecognition of in Substance Real Estate – a Scope Clarification, a consensus of the FASB Emerging Issues Task Force" (ASU 2011-10), an update to ASC Topic 360 – Property, Plant and Equipment. The ASU specifies that the guidance in ASC Subtopic 360-20, Property, Plant and Equipment – Real Estate Sales, would apply to an entity that ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's non-recourse debt. The adoption of ASU 2011-10 on July 1, 2012 did not have a material impact on the Group's financial position, results of operations or cash flows.

### ASC Topic 830 – Foreign Currency Matters

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" (ASU 2013-05), an update to ASC Topic 830 – Foreign Currency Matters. The amendments provide guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective prospectively for interim and annual reporting periods beginning after December 15, 2013 with early adoption permitted. The Group elected to early adopt ASU 2013-05 on January 1, 2013 which did not have a material impact on the Group's financial position, results of operations or cash flows.

**Standards to be adopted in future periods**

**ASC Topic 946 – Financial Services – Investment Companies**

In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" (ASU 2013-08) an update to Topic 946 – Financial Services – Investment Companies. The amendments change the approach to the investment company assessment in Topic 946, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. The adoption of ASU 2013-08 on January 1, 2014 did not have a material impact on the Group's financial position, results of operations or cash flows.

## Note 3 Business developments and subsequent events

**Business developments**

▸ Refer to "Note 4 – Discontinued operations" for information on business divestitures in 4Q13.

**Subsequent events**

In March 2014, the Group completed the spin-off of its DLJ Merchant Banking Partners business for no consideration to an entity controlled by members of current management. The Group will retain certain carried interest rights.

In March 2014, the Group required employees who hold outstanding 2011 Partner Asset Facility (PAF2) awards to reallocate their PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group terminated the PAF2 awards and exchanged them at fair value for other compensation awards.

On March 21, 2014, the Group entered into an agreement with the Federal Housing Finance Agency (FHFA) to settle litigation claims related to the sale of approximately USD 16.6 billion of residential mortgage-backed securities between 2005 and 2007. Under the terms of the agreement, the Group will pay USD 885 million to resolve all claims in two pending securities lawsuits filed by the FHFA against Credit Suisse.

On April 3, 2014, the Group announced that its previously reported 2013 results were updated to reflect additional litigation provisions in connection with the US tax matter.

▸ Refer to "Note 29 – Litigation" for further information.

## Note 4 Discontinued operations

In July 2013, the Group completed the sale of its ETF business to BlackRock and recognized a pre-tax gain on disposal of CHF 146 million in 3Q13 net of allocated goodwill of CHF 72 million. The sale price received by the Group may increase through future contingent payments, if specified thresholds are met. BlackRock is a company unrelated to the Group.

In August 2013, the Group announced the sale of CFIG, its private equity fund of funds and co-investment business, to Grosvenor Capital Management. This transaction was completed in January 2014 and related gains of approximately CHF 90 million will be recognized in 1Q14. As of the end of 4Q13, CFIG had total assets of CHF 31 million that were held-for-sale. The Group will continue to hold investments in and have unfunded commitments to investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Group.

In August 2013, the Group completed the sale of Strategic Partners, its dedicated secondary private equity business, to Blackstone and recognized a pre-tax gain on disposal of CHF 91 million in 3Q13 net of allocated goodwill of CHF 37 million. The Group will continue to receive carried interest from (and guarantee related claw-back obligations), hold limited partner interests in and have unfunded commitments to investment funds managed by Strategic Partners. The Group will also continue to guarantee minimum investment returns to certain third-party investors under existing side letter agreements. Blackstone is a company unrelated to the Group.

In November 2013, the Group announced the spin-off of DLJ Investment Partners, a dedicated private equity mezzanine investment business of the Group, to Portfolio Advisors, LLC. The transaction was completed in December 2013 with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for any of the periods reported. Portfolio Advisors, LLC is a company unrelated to the Group.

In December 2013, the Group announced the sale of its domestic private banking business booked in Germany (German private banking business) to ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of the end of 4Q13, the German private banking business had total assets and liabilities of CHF 1,553 million and CHF 1,140 million, respectively, that were held-for-sale. ABN AMRO is a company unrelated to the Group.

### Assets held-for-sale

| end of | **4Q13** | 3Q13 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Cash | 960 | – |
| Loans | 575 | – |
| Other assets | 18 | – |
| **Total assets held-for-sale** | **1,553** | – |
| **CFIG (CHF million)** | | |
| Fees receivable | 8 | 6 |
| Goodwill | 23 | 32 |
| Other intangible assets | 0 | 8 |
| **Total assets held-for-sale** | **31** | **46** |
| **Group (CHF million)** | | |
| **Total assets held-for-sale** | **1,584** | **46** |

### Liabilities held-for-sale

| end of | **4Q13** | 3Q13 |
|---|---|---|
| **German private banking business (CHF million)** | | |
| Deposits | 1,118 | – |
| Other liabilities | 22 | – |
| **Total liabilities held-for-sale** | **1,140** | – |
| **CFIG (CHF million)** | | |
| Fees payable | 0 | 6 |
| **Total liabilities held-for-sale** | **0** | **6** |
| **Group (CHF million)** | | |
| **Total liabilities held-for-sale** | **1,140** | **6** |

For the operations discontinued in 4Q13 and 3Q13, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets of discontinued operations held-for-sale and liabilities of discontinued operations held-for-sale, respectively, and prior periods are not reclassified.

## Income/(loss) from discontinued operations

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Operations-related (CHF million)** | | | | | |
| **Net revenues** | **48** | **43** | **73** | **233** | **288** |
| of which German private banking business | 14 | 12 | 14 | 52 | 54 |
| of which ETF business | – | 0 | 14 | 29 | 53 |
| of which Strategic Partners | – | 5 | 15 | 33 | 60 |
| of which CFIG | 33 | 25 | 29 | 114 | 116 |
| Operating expenses | 28 | 19 | 89 | 158 | 296 |
| of which German private banking business | 18 | 15 | 44 | 71 | 108 |
| of which ETF business | – | 3 | 13 | 23 | 49 |
| of which Strategic Partners | – | 0 | 11 | 8 | 38 |
| of which CFIG | 10 | 0 | 19 | 51 | 88 |
| Income tax expense/(benefit) | 7 | 9 | 15 | 38 | 32 |
| of which German private banking business | (2) | (3) | 6 | (6) | 2 |
| of which ETF business | – | 0 | 0 | 5 | 2 |
| of which Strategic Partners | – | 1 | 3 | 10 | 15 |
| of which CFIG | 9 | 11 | 6 | 29 | 16 |
| **Income/(loss), net of tax** | **13** | **15** | **(31)** | **37** | **(40)** |
| of which German private banking business | (2) | 0 | (36) | (13) | (56) |
| of which ETF business | – | (3) | 1 | 1 | 2 |
| of which Strategic Partners | – | 4 | 1 | 15 | 7 |
| of which CFIG | 14 | 14 | 4 | 34 | 12 |
| **Transaction-related (CHF million)** | | | | | |
| **Gain on disposal** | **–** | **237** | **–** | **237** | **–** |
| of which ETF business | – | 146 | – | 146 | – |
| of which Strategic Partners | – | 91 | – | 91 | – |
| Transaction-related expenses | 25 | 48 | – | 93 | – |
| of which ETF business | – | 5 | – | 11 | – |
| of which Strategic Partners | – | 10 | – | 22 | – |
| of which CFIG | 21 | 33 | – | 56 | – |
| Income tax expense/(benefit) | (10) | 54 | – | 36 | – |
| of which ETF business | – | 23 | – | 21 | – |
| of which Strategic Partners | – | 45 | – | 40 | – |
| of which CFIG | (9) | (14) | – | (24) | – |
| **Income/(loss), net of tax** | **(15)** | **135** | **–** | **108** | **–** |
| of which ETF business | – | 118 | – | 114 | – |
| of which Strategic Partners | – | 36 | – | 29 | – |
| of which CFIG | (12) | (19) | – | (32) | – |
| **Discontinued operations – total (CHF million)** | | | | | |
| **Income/(loss) from discontinued operations, net of tax** | **(2)** | **150** | **(31)** | **145** | **(40)** |
| of which German private banking business | (2) | 0 | (36) | (13) | (56) |
| of which ETF business | – | 115 | 1 | 115 | 2 |
| of which Strategic Partners | – | 40 | 1 | 44 | 7 |
| of which CFIG | 2 | (5) | 4 | 2 | 12 |

## Note 5 Segment information

### Overview

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of two segments: Private Banking & Wealth Management and Investment Banking. The two segments are complemented by Shared Services, which provides support in the areas of finance, operations, human resources, legal and compliance, risk management and IT. Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued, the revenues, expenses and gains from disposals were included in the results of the Private Banking & Wealth Management segment. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center. Beginning in 1Q13, segment assets exclude intra-Group balances between the segments. Prior periods have been reclassified to conform to the current presentation.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on segment information, revenue sharing and cost allocation, funding and taxes.

### Net revenues and income before taxes

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| **Net revenues (CHF million)** | | | | | |
| Private Banking & Wealth Management | 3,429 | 3,316 | 3,314 | 13,442 | 13,474 |
| Investment Banking | 2,668 | 2,552 | 2,664 | 12,565 | 12,558 |
| Corporate Center | (177) | (419) | (351) | (790) | (2,781) |
| Noncontrolling interests without SEI | 219 | 227 | 79 | 639 | 360 |
| **Net revenues** | **6,139** | **5,676** | **5,706** | **25,856** | **23,611** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | | | |
| Private Banking & Wealth Management | 424 | 1,018 | 911 | 3,240 | 3,775 |
| Investment Banking | (564) | 229 | 298 | 1,719 | 2,002 |
| Corporate Center | (389) | (559) | (824) | (1,455) | (3,889) |
| Noncontrolling interests without SEI | 196 | 222 | 63 | 592 | 302 |
| **Income/(loss) from continuing operations before taxes** | **(333)** | **910** | **448** | **4,096** | **2,190** |

### Total assets

| end of | **4Q13** | 3Q13 | 4Q12 |
|---|---|---|---|
| **Total assets (CHF million)** | | | |
| Private Banking & Wealth Management | 279,139 | 275,421 | 275,683 |
| Investment Banking | 502,799 | 528,762 | 563,758 |
| Corporate Center | 87,244 | 86,886 | 80,733 |
| Noncontrolling interests without SEI | 3,624 | 4,100 | 4,106 |
| **Total assets** | **872,806** | **895,169** | **924,280** |

## Note 6 Net interest income

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Net interest income (CHF million)** | | | | | |
| Loans | 1,221 | 1,223 | 1,198 | 4,843 | 4,861 |
| Investment securities | 10 | 10 | 5 | 45 | 64 |
| Trading assets | 1,814 | 2,113 | 2,442 | 10,057 | 11,945 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 556 | 585 | 650 | 2,517 | 2,940 |
| Other | 472 | 510 | 545 | 2,094 | 2,280 |
| Interest and dividend income | 4,073 | 4,441 | 4,840 | 19,556 | 22,090 |
| Deposits | (225) | (235) | (280) | (978) | (1,345) |
| Short-term borrowings | (17) | (18) | (81) | (132) | (184) |
| Trading liabilities | (915) | (1,070) | (1,071) | (5,083) | (6,833) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (212) | (211) | (356) | (1,156) | (1,677) |
| Long-term debt | (895) | (922) | (1,055) | (3,846) | (4,632) |
| Other | (62) | (63) | (59) | (246) | (276) |
| Interest expense | (2,326) | (2,519) | (2,902) | (11,441) | (14,947) |
| **Net interest income** | **1,747** | **1,922** | **1,938** | **8,115** | **7,143** |

## Note 7 Commissions and fees

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Commissions and fees (CHF million)** | | | | | |
| Lending business | 460 | 424 | 483 | 1,814 | 1,513 |
| Investment and portfolio management | 1,119 | 919 | 988 | 3,944 | 3,715 |
| Other securities business | 25 | 27 | 24 | 106 | 110 |
| Fiduciary business | 1,144 | 946 | 1,012 | 4,050 | 3,825 |
| Underwriting | 446 | 303 | 418 | 1,647 | 1,561 |
| Brokerage | 860 | 909 | 902 | 3,933 | 3,686 |
| Underwriting and brokerage | 1,306 | 1,212 | 1,320 | 5,580 | 5,247 |
| Other services | 515 | 433 | 640 | 1,782 | 2,139 |
| **Commissions and fees** | **3,425** | **3,015** | **3,455** | **13,226** | **12,724** |

## Note 8 Trading revenues

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Trading revenues (CHF million)** | | | | | |
| Interest rate products | (2) | 439 | 196 | 1,025 | 2,707 |
| Foreign exchange products | 298 | 2 | 469 | 1,203 | 559 |
| Equity/index-related products | 534 | (67) | (190) | 956 | 140 |
| Credit products | (538) | (297) | (664) | (879) | (3,306) |
| Commodity, emission and energy products | 71 | 78 | (102) | 340 | 198 |
| Other products | (68) | 117 | 144 | 94 | 898 |
| **Trading revenues** | **295** | **272** | **(147)** | **2,739** | **1,196** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to “Note 8 – Trading revenues” in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on trading revenues and managing trading risks.

## Note 9 Other revenues

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Other revenues (CHF million)** | | | | | |
| Noncontrolling interests without SEI | 211 | 231 | 69 | 658 | 336 |
| Loans held-for-sale | (1) | (1) | (7) | (5) | (37) |
| Long-lived assets held-for-sale | 45 | 7 | 95 | 30 | 458 |
| Equity method investments | 147 | 38 | 68 | 251 | 150 |
| Other investments | 144 | 32 | 119 | 315 | 749 |
| Other | 126 | 160 | 116 | 527 | 892 |
| **Other revenues** | **672** | **467** | **460** | **1,776** | **2,548** |

## Note 10 Provision for credit losses

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | | | |
| Provision for loan losses | 54 | 43 | 84 | 166 | 159 |
| Provision for lending-related and other exposures | (1) | (2) | (14) | 1 | 11 |
| **Provision for credit losses** | **53** | **41** | **70** | **167** | **170** |

## Note 11 Compensation and benefits

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | | | |
| Salaries and variable compensation | 2,422 | 2,212 | 2,272 | 9,678 | 10,717 |
| Social security | 175 | 152 | 156 | 778 | 769 |
| Other [1] | 210 | 168 | 221 | 800 | 817 |
| **Compensation and benefits [2]** | **2,807** | **2,532** | **2,649** | **11,256** | **12,303** |

[1] Includes pension and other post-retirement expense of CHF 134 million, CHF 89 million, CHF 128 million, CHF 490 million and CHF 532 million in 4Q13, 3Q13, 4Q12, 2013 and 2012, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 53 million, CHF 9 million, CHF 191 million, CHF 218 million and CHF 456 million as of 4Q13, 3Q13, 4Q12, 2013 and 2012, respectively.

## Note 12 General and administrative expenses

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | | | |
| Occupancy expenses | 327 | 288 | 339 | 1,186 | 1,220 |
| IT, machinery, etc. | 390 | 366 | 388 | 1,517 | 1,469 |
| Provisions and losses | 1,483 | 210 | 375 | 2,136 | 694 |
| Travel and entertainment | 92 | 82 | 106 | 355 | 394 |
| Professional services | 577 | 473 | 547 | 1,952 | 1,919 |
| Goodwill impairment | 12 | 0 | 0 | 12 | 0 |
| Amortization and impairment of other intangible assets | 6 | 6 | 7 | 25 | 36 |
| Other | 336 | 346 | 344 | 1,416 | 1,514 |
| **General and administrative expenses** | **3,223** | **1,771** | **2,106** | **8,599** | **7,246** |

## Note 13 Earnings per share

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Basic net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Income/(loss) from continuing operations** | **(474)** | **304** | **294** | **2,181** | **1,389** |
| Income/(loss) from discontinued operations, net of tax | (2) | 150 | (31) | 145 | (40) |
| **Net income/(loss) attributable to shareholders** | **(476)** | **454** | **263** | **2,326** | **1,349** |
| Preferred securities dividends | (122) | – | (117) | (236) | (231) |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(598)** | **454** | **146** | **2,090** | **1,118** |
| Available for common shares | (598) | 421 | 116 | 1,868 | 1,044 |
| Available for unvested share-based payment awards | 0 | 33 | 10 | 152 | 66 |
| Available for mandatory convertible securities [1] | – | – | 20 | 70 | 8 |
| **Diluted net income/(loss) attributable to shareholders (CHF million)** | | | | | |
| **Net income/(loss) attributable to shareholders for basic earnings per share** | **(598)** | **454** | **146** | **2,090** | **1,118** |
| Income impact of assumed conversion on contracts that may be settled in shares or cash [2] | – | – | – | – | – |
| **Net income/(loss) attributable to shareholders for diluted earnings per share** | **(598)** | **454** | **146** | **2,090** | **1,118** |
| Available for common shares | (598) | 421 | 116 | 1,868 | 1,044 |
| Available for unvested share-based payment awards | 0 | 33 | 10 | 152 | 66 |
| Available for mandatory convertible securities [1] | – | – | 20 | 70 | 8 |
| **Weighted-average shares outstanding (million)** | | | | | |
| **Weighted-average shares outstanding for basic earnings per share available for common shares** | **1,601.9** | **1,600.0** | **1,342.4** | **1,532.9** | **1,320.4** |
| Dilutive contracts that may be settled in shares or cash [3] | – | – | – | – | – |
| Dilutive share options and warrants | 0.0 | 1.7 | 3.3 | 1.4 | 4.9 |
| Dilutive share awards | 0.0 | 1.3 | 1.8 | 1.2 | 1.8 |
| **Weighted-average shares outstanding for diluted earnings per share available for common shares [4]** | **1,601.9 [5]** | **1,603.0** | **1,347.5** | **1,535.5** | **1,327.1** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards** | **122.0** | **125.6** | **115.1** | **125.0** | **97.3** |
| **Weighted-average shares outstanding for basic/diluted earnings per share available for mandatory convertible securities [1]** | **–** | **–** | **233.5** | **63.0** | **97.1** |
| **Basic earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Basic earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | 1.14 | 0.82 |
| Basic earnings/(loss) per share from discontinued operations | 0.00 | 0.09 | (0.02) | 0.08 | (0.03) |
| **Basic earnings/(loss) per share available for common shares** | **(0.37)** | **0.26** | **0.09** | **1.22** | **0.79** |
| **Diluted earnings/(loss) per share available for common shares (CHF)** | | | | | |
| Diluted earnings/(loss) per share from continuing operations | (0.37) | 0.17 | 0.11 | 1.14 | 0.82 |
| Diluted earnings/(loss) per share from discontinued operations | 0.00 | 0.09 | (0.02) | 0.08 | (0.03) |
| **Diluted earnings/(loss) per share available for common shares** | **(0.37)** | **0.26** | **0.09** | **1.22** | **0.79** |

Prior periods have been adjusted to reflect the increase in the number of shares outstanding that arose from the 2Q13 stock dividend, as required under US GAAP.

1 Reflects MACCS issued in July 2012 that were mandatorily convertible into shares on March 29, 2013, which shares were settled and delivered on April 8, 2013.

2 Reflects changes in the fair value of the PAF2 units which are reflected in the net profit of the Group until the awards are finally settled. Fair value of the PAF2 units which are reflected in the net profit of the Group are not adjusted for 4Q13, 3Q13, 4Q12, 2013 and 2012, respectively, as the effect would be antidilutive.

3 Reflects weighted-average shares outstanding on PAF2 units. Weighted-average shares on PAF2 units for 4Q13, 3Q13, 4Q12, 2013 and 2012, respectively, were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

4 Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 36.0 million, 33.7 million, 50.6 million, 35.9 million and 50.3 million for 4Q13, 3Q13, 4Q12, 2013 and 2012, respectively.

5 Due to the net loss in 4Q13, 1.7 million weighted-average share options and warrants outstanding and 0.8 million weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

## Note 14 Trading assets and liabilities

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Trading assets (CHF million)** | | | |
| Debt securities | 110,116 | 117,354 | 135,871 |
| Equity securities [1] | 76,695 | 78,605 | 74,895 |
| Derivative instruments [2] | 31,603 | 36,764 | 33,208 |
| Other | 10,999 | 11,699 | 12,425 |
| **Trading assets** | **229,413** | **244,422** | **256,399** |
| **Trading liabilities (CHF million)** | | | |
| Short positions | 40,161 | 47,483 | 51,303 |
| Derivative instruments [2] | 36,474 | 44,867 | 39,513 |
| **Trading liabilities** | **76,635** | **92,350** | **90,816** |

[1] Including convertible bonds.
[2] Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | | |
| Cash collateral paid | 23,870 | 24,209 | 36,662 |
| Cash collateral received | 20,500 | 21,794 | 33,373 |
| **Cash collateral – not netted (CHF million) [2]** | | | |
| Cash collateral paid | 8,359 | 8,739 | 10,904 |
| Cash collateral received | 11,663 | 12,013 | 12,224 |

[1] Recorded as cash collateral netting on derivative instruments in Note 20 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 17 – Other assets and other liabilities.

## Note 15 Investment securities

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Investment securities (CHF million)** | | | |
| Securities available-for-sale | 2,987 | 2,768 | 3,498 |
| **Total investment securities** | **2,987** | **2,768** | **3,498** |

### Investment securities by type

| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|---|---|---|---|
| | | | | **4Q13** | | | | 4Q12 |
| **Investment securities by type (CHF million)** | | | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 389 | 15 | 2 | 402 | 452 | 31 | 0 | 483 |
| Debt securities issued by foreign governments | 1,350 | 39 | 1 | 1,388 | 1,523 | 82 | 0 | 1,605 |
| Corporate debt securities | 590 | 16 | 0 | 606 | 823 | 22 | 0 | 845 |
| Collateralized debt obligations | 480 | 11 | 1 | 490 | 448 | 22 | 0 | 470 |
| Debt securities available-for-sale | 2,809 | 81 | 4 | 2,886 | 3,246 | 157 | 0 | 3,403 |
| Banks, trust and insurance companies | 74 | 18 | 0 | 92 | 73 | 14 | 0 | 87 |
| Industry and all other | 9 | 0 | 0 | 9 | 8 | 0 | 0 | 8 |
| Equity securities available-for-sale | 83 | 18 | 0 | 101 | 81 | 14 | 0 | 95 |
| **Securities available-for-sale** | **2,892** | **99** | **4** | **2,987** | **3,327** | **171** | **0** | **3,498** |

### Gross unrealized losses on investment securities and the related fair value

| end of | Less than 12 months | | 12 months or more | | **Total** | |
|---|---|---|---|---|---|---|
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **4Q13 (CHF million)** | | | | | | |
| Debt securities issued by Swiss federal, cantonal or local governmental entities | 168 | 2 | 0 | 0 | 168 | 2 |
| Debt securities issued by foreign governments | 109 | 1 | 0 | 0 | 109 | 1 |
| Collateralized debt obligations | 10 | 1 | 0 | 0 | 10 | 1 |
| **Debt securities available-for-sale** | **287** | **4** | **0** | **0** | **287** | **4** |

There were no unrealized losses on investment securities as of the end of 4Q12. No significant impairment charges were recorded as the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| in | Debt securities | Equity securities | Debt securities | Equity securities |
|---|---|---|---|---|
| | | **2013** | | 2012 |
| **Additional information (CHF million)** | | | | |
| Proceeds from sales | 163 | 13 | 294 | 642 |
| Realized gains | 7 | 1 | 14 | 294 |
| Realized losses | 0 | 0 | (2) | 0 |

### Amortized cost, fair value and average yield of debt securities

| end of | Debt securities available-for-sale | | |
|---|---|---|---|
| | Amortized cost | Fair value | Average yield (in %) |
| **4Q13 (CHF million)** | | | |
| Due within 1 year | 543 | 547 | 1.43 |
| Due from 1 to 5 years | 1,702 | 1,760 | 2.11 |
| Due from 5 to 10 years | 475 | 491 | 2.13 |
| Due after 10 years | 89 | 88 | 1.46 |
| **Total debt securities** | **2,809** | **2,886** | **1.96** |

## Note 16 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the two business divisions, Private Banking & Wealth Management and Investment Banking, both of which are engaged in credit activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on loans, allowance for loan losses, credit quality and impaired loans.

### Loans

| end of | **4Q13** | 3Q13 | 4Q12 |
|---|---|---|---|
| **Loans (CHF million)** | | | |
| Mortgages | 94,978 | 94,369 | 91,872 |
| Loans collateralized by securities | 31,565 | 30,872 | 27,363 |
| Consumer finance | 5,938 | 6,229 | 6,901 |
| Consumer | 132,481 | 131,470 | 126,136 |
| Real estate [1] | 27,312 | 26,488 | 25,801 |
| Commercial and industrial loans [1] | 63,334 | 63,236 | 63,028 |
| Financial institutions [1] | 21,840 | 22,118 | 25,902 |
| Governments and public institutions [1] | 3,047 | 2,888 | 2,337 |
| Corporate & institutional | 115,533 | 114,730 | 117,068 |
| **Gross loans** | **248,014** | **246,200** | **243,204** |
| of which held at amortized cost | 228,557 | 227,177 | 223,204 |
| of which held at fair value | 19,457 | 19,023 | 20,000 |
| Net (unearned income)/deferred expenses | (91) | (97) | (59) |
| Allowance for loan losses | (869) | (871) | (922) |
| **Net loans** | **247,054** | **245,232** | **242,223** |
| **Gross loans by location (CHF million)** | | | |
| Switzerland | 151,992 | 151,547 | 151,226 |
| Foreign | 96,022 | 94,653 | 91,978 |
| **Gross loans** | **248,014** | **246,200** | **243,204** |
| **Impaired loan portfolio (CHF million)** | | | |
| Non-performing loans | 862 | 893 | 859 |
| Non-interest-earning loans | 281 | 302 | 313 |
| Total non-performing and non-interest-earning loans | 1,143 | 1,195 | 1,172 |
| Restructured loans | 6 | 19 | 30 |
| Potential problem loans | 340 | 324 | 527 |
| Total other impaired loans | 346 | 343 | 557 |
| **Gross impaired loans** | **1,489** | **1,538** | **1,729** |

[1] Prior periods have been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

## Allowance for loan losses by loan portfolio

| | 4Q13 | | | 3Q13 | | | 4Q12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **271** | **600** | **871** | **282** | **618** | **900** | **287** | **610** | **897** |
| Change in scope of consolidation | 0 | 0 | 0 | 0 | (1) | (1) | 0 | 0 | 0 |
| Net movements recognized in statements of operations | 19 | 35 | 54 | 21 | 22 | 43 | 26 | 58 | 84 |
| Gross write-offs | (28) | (32) | (60) | (35) | (38) | (73) | (29) | (36) | (65) |
| Recoveries | 6 | 0 | 6 | 6 | 6 | 12 | 3 | 4 | 7 |
| Net write-offs | (22) | (32) | (54) | (29) | (32) | (61) | (26) | (32) | (58) |
| Provisions for interest | 1 | 5 | 6 | 2 | 5 | 7 | 2 | 7 | 9 |
| Foreign currency translation impact and other adjustments, net | (2) | (6) | (8) | (5) | (12) | (17) | (1) | (9) | (10) |
| **Balance at end of period** | **267** | **602** | **869** | **271** | **600** | **871** | **288** | **634** | **922** |
| of which individually evaluated for impairment | 217 | 437 | 654 | 220 | 427 | 647 | 239 | 457 | 696 |
| of which collectively evaluated for impairment | 50 | 165 | 215 | 51 | 173 | 224 | 49 | 177 | 226 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **132,470** | **96,087** | **228,557** | **131,461** | **95,716** | **227,177** | **126,124** | **97,080** | **223,204** |
| of which individually evaluated for impairment [1] | 569 | 920 | 1,489 | 603 | 935 | 1,538 | 661 | 1,068 | 1,729 |
| of which collectively evaluated for impairment | 131,901 | 95,167 | 227,068 | 130,858 | 94,781 | 225,639 | 125,463 | 96,012 | 221,475 |

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | Total | Consumer | Corporate & institutional | Total |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period** | **288** | **634** | **922** | **289** | **621** | **910** |
| Change in scope of consolidation | 0 | (1) | (1) | (18) | 0 | (18) |
| Net movements recognized in statements of operations | 76 | 90 | 166 | 95 | 64 | 159 |
| Gross write-offs | (123) | (163) | (286) | (105) | (96) | (201) |
| Recoveries | 24 | 30 | 54 | 22 | 22 | 44 |
| Net write-offs | (99) | (133) | (232) | (83) | (74) | (157) |
| Provisions for interest | 5 | 21 | 26 | 8 | 21 | 29 |
| Foreign currency translation impact and other adjustments, net | (3) | (9) | (12) | (3) | 2 | (1) |
| **Balance at end of period** | **267** | **602** | **869** | **288** | **634** | **922** |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| in | 4Q13 Consumer | 4Q13 Corporate & institutional | 4Q13 Total | 3Q13 Consumer | 3Q13 Corporate & institutional | 3Q13 Total | 4Q12 Consumer | 4Q12 Corporate & institutional | 4Q12 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 817 | 817 | 0 | 1,679 | 1,679 | 0 | 365 | 365 |
| Reclassifications from loans held-for-sale [2] | 0 | 80 | 80 | 0 | 89 | 89 | 0 | 91 | 91 |
| Reclassifications to loans held-for-sale [3] | 0 | 503 | 503 | 0 | 185 | 185 | 0 | 246 | 246 |
| Sales [3] | 0 | 424 | 424 | 0 | 87 | 87 | 0 | 330 | 330 |

| in | 2013 Consumer | 2013 Corporate & institutional | 2013 Total | 2012 Consumer | 2012 Corporate & institutional | 2012 Total |
|---|---|---|---|---|---|---|
| **Loans held at amortized cost (CHF million)** | | | | | | |
| Purchases [1] | 0 | 4,611 | 4,611 | 348 | 4,605 | 4,953 |
| Reclassifications from loans held-for-sale [2] | 0 | 275 | 275 | 0 | 216 | 216 |
| Reclassifications to loans held-for-sale [3] | 0 | 996 | 996 | 0 | 1,323 | 1,323 |
| Sales [3] | 0 | 698 | 698 | 0 | 1,058 | 1,058 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

### Credit quality of loans held at amortized cost

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, quantify, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses internal risk ratings as credit quality indicators.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each obligor or counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

‣ Refer to “Credit quality of loans held at amortized cost” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2012 for further information on internal ratings and the scope of the credit quality disclosures.

### Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **4Q13 (CHF million)** | | | | | | | | | | | |
| Mortgages | 302 | 2,257 | 17,398 | 57,033 | 16,857 | 883 | 39 | 0 | 0 | 209 | 94,978 |
| Loans collateralized by securities | 182 | 349 | 4,214 | 24,497 | 2,131 | 90 | 2 | 6 | 0 | 94 | 31,565 |
| Consumer finance | 0 | 14 | 226 | 2,501 | 1,952 | 824 | 43 | 0 | 119 | 248 | 5,927 |
| Consumer | 484 | 2,620 | 21,838 | 84,031 | 20,940 | 1,797 | 84 | 6 | 119 | 551 | 132,470 |
| Real estate | 1,344 | 1,050 | 3,511 | 13,669 | 6,897 | 322 | 0 | 1 | 0 | 72 | 26,866 |
| Commercial and industrial loans | 183 | 740 | 1,901 | 21,232 | 23,131 | 3,621 | 232 | 6 | 6 | 671 | 51,723 |
| Financial institutions | 1,319 | 1,706 | 4,041 | 5,625 | 2,440 | 776 | 14 | 1 | 0 | 112 | 16,034 |
| Governments and public institutions | 78 | 324 | 178 | 440 | 148 | 73 | 223 | 0 | 0 | 0 | 1,464 |
| Corporate & institutional | 2,924 | 3,820 | 9,631 | 40,966 | 32,616 | 4,792 | 469 | 8 | 6 | 855 | 96,087 |
| **Gross loans held at amortized cost** | **3,408** | **6,440** | **31,469** | **124,997** | **53,556** | **6,589** | **553** | **14** | **125** | **1,406** | **228,557** |
| Value of collateral [1] | 2,553 | 5,046 | 28,186 | 116,971 | 45,376 | 3,372 | 102 | 1 | 10 | 616 | 202,233 |
| **4Q12 (CHF million)** | | | | | | | | | | | |
| Mortgages | 387 | 730 | 12,176 | 58,491 | 19,255 | 599 | 13 | 9 | 0 | 212 | 91,872 |
| Loans collateralized by securities | 79 | 57 | 948 | 23,357 | 2,728 | 92 | 6 | 1 | 0 | 95 | 27,363 |
| Consumer finance | 0 | 6 | 100 | 3,324 | 2,065 | 901 | 39 | 0 | 129 | 325 | 6,889 |
| Consumer | 466 | 793 | 13,224 | 85,172 | 24,048 | 1,592 | 58 | 10 | 129 | 632 | 126,124 |
| Real estate [2] | 333 | 374 | 2,199 | 14,537 | 7,762 | 195 | 0 | 0 | 0 | 55 | 25,455 |
| Commercial and industrial loans [2] | 166 | 325 | 1,580 | 22,040 | 23,070 | 3,467 | 209 | 1 | 47 | 763 | 51,668 |
| Financial institutions [2] | 2,288 | 2,087 | 4,661 | 5,260 | 3,566 | 382 | 0 | 33 | 14 | 147 | 18,438 |
| Governments and public institutions | 131 | 50 | 360 | 521 | 127 | 101 | 229 | 0 | 0 | 0 | 1,519 |
| Corporate & institutional | 2,918 | 2,836 | 8,800 | 42,358 | 34,525 | 4,145 | 438 | 34 | 61 | 965 | 97,080 |
| **Gross loans held at amortized cost** | **3,384** | **3,629** | **22,024** | **127,530** | **58,573** | **5,737** | **496** | **44** | **190** | **1,597** | **223,204** |
| Value of collateral [1] | 2,918 | 2,616 | 19,526 | 116,583 | 48,342 | 3,210 | 189 | 44 | 15 | 791 | 194,234 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

#### Value of collateral

In Private Banking & Wealth Management, all collateral values for loans are regularly reviewed according to our risk management policies and directives, with maximum review periods determined by market liquidity, market transparency and appraisal costs. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by Group credit risk management within the impairment review process.

In Investment Banking, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

## Gross loans held at amortized cost – aging analysis

| | Current | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31–60 days | 61–90 days | More than 90 days | Total | **Total** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 94,657 | 103 | 26 | 25 | 167 | 321 | 94,978 |
| Loans collateralized by securities | 31,365 | 95 | 2 | 12 | 91 | 200 | 31,565 |
| Consumer finance | 5,218 | 377 | 93 | 55 | 184 | 709 | 5,927 |
| Consumer | 131,240 | 575 | 121 | 92 | 442 | 1,230 | 132,470 |
| Real estate | 26,774 | 19 | 2 | 2 | 69 | 92 | 26,866 |
| Commercial and industrial loans | 50,879 | 343 | 77 | 74 | 350 | 844 | 51,723 |
| Financial institutions | 15,841 | 87 | 2 | 1 | 103 | 193 | 16,034 |
| Governments and public institutions | 1,459 | 5 | 0 | 0 | 0 | 5 | 1,464 |
| Corporate & institutional | 94,953 | 454 | 81 | 77 | 522 | 1,134 | 96,087 |
| **Gross loans held at amortized cost** | **226,193** | **1,029** | **202** | **169** | **964** | **2,364** | **228,557** |
| **4Q12 (CHF million)** | | | | | | | |
| Mortgages | 91,527 | 156 | 17 | 11 | 161 | 345 | 91,872 |
| Loans collateralized by securities | 27,034 | 220 | 3 | 3 | 103 | 329 | 27,363 |
| Consumer finance | 6,116 | 420 | 90 | 52 | 211 | 773 | 6,889 |
| Consumer | 124,677 | 796 | 110 | 66 | 475 | 1,447 | 126,124 |
| Real estate [1] | 25,296 | 107 | 2 | 2 | 48 | 159 | 25,455 |
| Commercial and industrial loans [1] | 50,407 | 720 | 27 | 138 | 376 | 1,261 | 51,668 |
| Financial institutions [1] | 18,205 | 53 | 2 | 34 | 144 | 233 | 18,438 |
| Governments and public institutions | 1,484 | 35 | 0 | 0 | 0 | 35 | 1,519 |
| Corporate & institutional | 95,392 | 915 | 31 | 174 | 568 | 1,688 | 97,080 |
| **Gross loans held at amortized cost** | **220,069** | **1,711** | **141** | **240** | **1,043** | **3,135** | **223,204** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

## Impaired loans

▸ Refer to “Impaired loans” in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality in the Credit Suisse Annual Report 2012 for further information on impaired loan categories and allowance for specifically identified credit losses on impaired loans.

## Gross impaired loans by category

| | Non-performing and non-interest-earning loans | | | Other impaired loans | | | |
|---|---|---|---|---|---|---|---|
| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | **Total** |
| **4Q13 (CHF million)** | | | | | | | |
| Mortgages | 167 | 13 | 180 | 0 | 45 | 45 | 225 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 4 | 4 | 95 |
| Consumer finance | 244 | 5 | 249 | 0 | 0 | 0 | 249 |
| Consumer | 431 | 89 | 520 | 0 | 49 | 49 | 569 |
| Real estate | 53 | 15 | 68 | 0 | 5 | 5 | 73 |
| Commercial and industrial loans | 307 | 144 | 451 | 6 | 258 | 264 | 715 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 431 | 192 | 623 | 6 | 291 | 297 | 920 |
| **Gross impaired loans** | **862** | **281** | **1,143** | **6** | **340** | **346** | **1,489** |
| **4Q12 (CHF million)** | | | | | | | |
| Mortgages | 154 | 16 | 170 | 0 | 69 | 69 | 239 |
| Loans collateralized by securities | 18 | 74 | 92 | 0 | 3 | 3 | 95 |
| Consumer finance | 315 | 10 | 325 | 0 | 2 | 2 | 327 |
| Consumer | 487 | 100 | 587 | 0 | 74 | 74 | 661 |
| Real estate | 46 | 5 | 51 | 0 | 15 | 15 | 66 |
| Commercial and industrial loans | 268 | 170 | 438 | 30 | 373 | 403 | 841 |
| Financial institutions | 58 | 38 | 96 | 0 | 65 | 65 | 161 |
| Corporate & institutional | 372 | 213 | 585 | 30 | 453 | 483 | 1,068 |
| **Gross impaired loans** | **859** | **313** | **1,172** | **30** | **527** | **557** | **1,729** |

## Gross impaired loan detail

| | | | 4Q13 | | | 4Q12 |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 207 | 197 | 28 | 206 | 197 | 32 |
| Loans collateralized by securities | 67 | 63 | 55 | 68 | 66 | 53 |
| Consumer finance | 231 | 211 | 134 | 302 | 280 | 154 |
| Consumer | 505 | 471 | 217 | 576 | 543 | 239 |
| Real estate | 71 | 65 | 15 | 63 | 55 | 22 |
| Commercial and industrial loans | 705 | 656 | 340 | 715 | 677 | 342 |
| Financial institutions | 131 | 127 | 82 | 157 | 155 | 93 |
| Corporate & institutional | 907 | 848 | 437 | 935 | 887 | 457 |
| **Gross impaired loans with a specific allowance** | **1,412** | **1,319** | **654** | **1,511** | **1,430** | **696** |
| Mortgages | 18 | 18 | – | 33 | 33 | – |
| Loans collateralized by securities | 28 | 28 | – | 27 | 28 | – |
| Consumer finance | 18 | 18 | – | 25 | 25 | – |
| Consumer | 64 | 64 | – | 85 | 86 | – |
| Real estate | 2 | 2 | – | 3 | 3 | – |
| Commercial and industrial loans | 10 | 10 | – | 126 | 128 | – |
| Financial institutions | 1 | 1 | – | 4 | 4 | – |
| Corporate & institutional | 13 | 13 | – | 133 | 135 | – |
| **Gross impaired loans without specific allowance** | **77** | **77** | **–** | **218** | **221** | **–** |
| **Gross impaired loans** | **1,489** | **1,396** | **654** | **1,729** | **1,651** | **696** |
| of which consumer | 569 | 535 | 217 | 661 | 629 | 239 |
| of which corporate & institutional | 920 | 861 | 437 | 1,068 | 1,022 | 457 |

## Gross impaired loan detail (continued)

| | 4Q13 | | | 3Q13 | | | 4Q12 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis | Average recorded investment | Interest income recognized | Interest income recognized on a cash basis |
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 205 | 0 | 0 | 210 | 0 | 0 | 201 | 0 | 0 |
| Loans collateralized by securities | 68 | 2 | 2 | 70 | 0 | 0 | 67 | 0 | 0 |
| Consumer finance | 244 | 0 | 0 | 253 | 0 | 0 | 291 | 0 | 1 |
| Consumer | 517 | 2 | 2 | 533 | 0 | 0 | 559 | 0 | 1 |
| Real estate | 73 | 1 | 1 | 80 | 0 | 0 | 63 | 0 | 0 |
| Commercial and industrial loans | 682 | 1 | 1 | 761 | 1 | 1 | 657 | 0 | 1 |
| Financial institutions | 130 | 0 | 0 | 130 | 0 | 0 | 162 | 1 | 1 |
| Governments and public institutions | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 |
| Corporate & institutional | 885 | 2 | 2 | 971 | 1 | 1 | 886 | 1 | 2 |
| **Gross impaired loans with a specific allowance** | **1,402** | **4** | **4** | **1,504** | **1** | **1** | **1,445** | **1** | **3** |
| Mortgages | 22 | 0 | 0 | 17 | 0 | 0 | 32 | 0 | 0 |
| Loans collateralized by securities | 28 | 0 | 0 | 26 | 0 | 0 | 28 | 0 | 0 |
| Consumer finance | 18 | 0 | 0 | 17 | 0 | 0 | 35 | 0 | 0 |
| Consumer | 68 | 0 | 0 | 60 | 0 | 0 | 95 | 0 | 0 |
| Real estate | 15 | 0 | 0 | 16 | 0 | 0 | 3 | 0 | 0 |
| Commercial and industrial loans | 20 | 0 | 0 | 24 | 0 | 0 | 163 | 0 | 1 |
| Financial institutions | 1 | 0 | 0 | 1 | 0 | 0 | 4 | 0 | 0 |
| Corporate & institutional | 36 | 0 | 0 | 41 | 0 | 0 | 170 | 0 | 1 |
| **Gross impaired loans without specific allowance** | **104** | **0** | **0** | **101** | **0** | **0** | **265** | **0** | **1** |
| **Gross impaired loans** | **1,506** | **4** | **4** | **1,605** | **1** | **1** | **1,710** | **1** | **4** |
| of which consumer | 585 | 2 | 2 | 593 | 0 | 0 | 654 | 0 | 1 |
| of which corporate & institutional | 921 | 2 | 2 | 1,012 | 1 | 1 | 1,056 | 1 | 3 |

## Gross impaired loan detail (continued)

| in | 2013 Average recorded investment | 2013 Interest income recognized | 2013 Interest income recognized on a cash basis | 2012 Average recorded investment | 2012 Interest income recognized | 2012 Interest income recognized on a cash basis |
|---|---|---|---|---|---|---|
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 204 | 1 | 1 | 217 | 1 | 1 |
| Loans collateralized by securities | 70 | 2 | 2 | 68 | 1 | 0 |
| Consumer finance | 256 | 0 | 0 | 277 | 3 | 3 |
| Consumer | 530 | 3 | 3 | 562 | 5 | 4 |
| Real estate | 72 | 1 | 1 | 58 | 0 | 0 |
| Commercial and industrial loans | 748 | 5 | 5 | 620 | 3 | 2 |
| Financial institutions | 136 | 0 | 0 | 201 | 2 | 2 |
| Governments and public institutions | 0 | 0 | 0 | 6 | 0 | 0 |
| Corporate & institutional | 956 | 6 | 6 | 885 | 5 | 4 |
| **Gross impaired loans with a specific allowance** | **1,486** | **9** | **9** | **1,447** | **10** | **8** |
| Mortgages | 26 | 0 | 0 | 40 | 0 | 0 |
| Loans collateralized by securities | 27 | 0 | 0 | 8 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 41 | 0 | 0 |
| Consumer | 75 | 0 | 0 | 89 | 0 | 0 |
| Real estate | 11 | 0 | 0 | 13 | 0 | 0 |
| Commercial and industrial loans | 59 | 0 | 0 | 215 | 3 | 3 |
| Financial institutions | 2 | 0 | 0 | 8 | 0 | 0 |
| Corporate & institutional | 72 | 0 | 0 | 236 | 3 | 3 |
| **Gross impaired loans without specific allowance** | **147** | **0** | **0** | **325** | **3** | **3** |
| **Gross impaired loans** | **1,633** | **9** | **9** | **1,772** | **13** | **11** |
| of which consumer | 605 | 3 | 3 | 651 | 5 | 4 |
| of which corporate & institutional | 1,028 | 6 | 6 | 1,121 | 8 | 7 |

## Note 17 Other assets and other liabilities

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Other assets (CHF million)** | | | |
| Cash collateral on derivative instruments | 8,359 | 8,739 | 10,904 |
| Cash collateral on non-derivative transactions | 1,412 | 1,866 | 1,995 |
| Derivative instruments used for hedging | 2,062 | 2,365 | 3,930 |
| Assets held-for-sale | 19,306 | 18,128 | 20,343 |
| of which loans | 18,914 | 17,663 | 19,894 |
| of which real estate | 392 | 465 | 442 |
| Assets held for separate accounts | 11,236 | 11,921 | 13,414 |
| Interest and fees receivable | 4,859 | 4,958 | 5,861 |
| Deferred tax assets | 6,185 | 6,106 | 7,102 |
| Prepaid expenses | 552 | 713 | 538 |
| Failed purchases | 2,365 | 2,421 | 2,699 |
| Other | 6,729 | 6,312 | 6,126 |
| **Other assets** | **63,065** | **63,529** | **72,912** |
| **Other liabilities (CHF million)** | | | |
| Cash collateral on derivative instruments | 11,663 | 12,013 | 12,224 |
| Cash collateral on non-derivative transactions | 955 | 1,064 | 1,246 |
| Derivative instruments used for hedging | 384 | 469 | 1,182 |
| Provisions [1] | 2,641 | 1,340 | 1,362 |
| of which off-balance sheet risk | 60 | 61 | 60 |
| Liabilities held for separate accounts | 11,236 | 11,921 | 13,414 |
| Interest and fees payable | 5,641 | 6,238 | 6,752 |
| Current tax liabilities | 864 | 943 | 863 |
| Deferred tax liabilities | 394 | 167 | 130 |
| Failed sales | 2,396 | 2,596 | 4,336 |
| Other | 15,273 | 15,133 | 16,128 |
| **Other liabilities** | **51,447** | **51,884** | **57,637** |

[1] Includes provisions for bridge commitments.

## Note 18 Long-term debt

### Long-term debt

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Long-term debt (CHF million)** | | | |
| Senior | 96,048 | 95,910 | 115,861 |
| Subordinated | 21,002 | 19,196 | 17,741 |
| Non-recourse liabilities from consolidated VIEs | 12,992 | 13,715 | 14,532 |
| **Long-term debt** | **130,042** | **128,821** | **148,134** |
| of which reported at fair value | 63,369 | 61,874 | 65,384 |

### Structured notes by product

| end of | 4Q13 | 3Q13 | 4Q12 |
|---|---|---|---|
| **Structured notes (CHF million)** | | | |
| Equity | 23,313 | 24,166 | 23,761 |
| Fixed income | 5,573 | 5,688 | 6,559 |
| Emerging markets [1] | 1,766 | 1,954 | 3,304 |
| Credit | 3,453 | 2,442 | 1,893 |
| Other | 710 | 902 | 1,120 |
| **Total structured notes** | **34,815** | **35,152** | **36,637** |

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

## Note 19 Accumulated other comprehensive income and additional share information

### Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income** |
|---|---|---|---|---|---|---|
| **4Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(22)** | **(13,157)** | **63** | **(3,593)** | **530** | **(16,179)** |
| Increase/(decrease) | 8 | (515) | (6) | 738 | 0 | 225 |
| Increase/(decrease) due to equity method investments | 6 | 0 | 0 | 0 | 0 | 6 |
| Reclassification adjustments, included in net income | (3) | (2) | (5) | 98 | (15) | 73 |
| Total increase/(decrease) | 11 | (517) | (11) | 836 | (15) | 304 |
| **Balance at end of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| **3Q13 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(42)** | **(12,124)** | **63** | **(3,650)** | **552** | **(15,201)** |
| Increase/(decrease) | 15 | (1,071) | 0 | (9) | 0 | (1,065) |
| Increase/(decrease) due to equity method investments | 5 | 0 | 0 | 0 | 0 | 5 |
| Reclassification adjustments, included in net income | 0 | 38 | 0 | 66 | (22) | 82 |
| Total increase/(decrease) | 20 | (1,033) | 0 | 57 | (22) | (978) |
| **Balance at end of period** | **(22)** | **(13,157)** | **63** | **(3,593)** | **530** | **(16,179)** |
| **4Q12 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(41)** | **(11,987)** | **89** | **(3,569)** | **310** | **(15,198)** |
| Increase/(decrease) | 0 | (804) | 3 | (346) | 319 | (828) |
| Increase/(decrease) due to equity method investments | 12 | 0 | 0 | 0 | 0 | 12 |
| Reclassification adjustments, included in net income | 0 | 24 | (8) | 114 | (19) | 111 |
| Total increase/(decrease) | 12 | (780) | (5) | (232) | 300 | (705) |
| **Balance at end of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |
| Increase/(decrease) | 6 | (991) | (27) | 750 | 0 | (262) |
| Increase/(decrease) due to equity method investments | 13 | 0 | 0 | 0 | 0 | 13 |
| Reclassification adjustments, included in net income | (1) | 84 | (5) | 294 | (95) | 277 |
| Total increase/(decrease) | 18 | (907) | (32) | 1,044 | (95) | 28 |
| **Balance at end of period** | **(11)** | **(13,674)** | **52** | **(2,757)** | **515** | **(15,875)** |
| **2012 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **(66)** | **(11,778)** | **99** | **(3,751)** | **362** | **(15,134)** |
| Increase/(decrease) | 7 | (1,040) | 227 | (291) | 319 | (778) |
| Increase/(decrease) due to equity method investments | 30 | 0 | 0 | 0 | 0 | 30 |
| Reclassification adjustments, included in net income | 0 | 51 | (242) | 241 | (71) | (21) |
| Total increase/(decrease) | 37 | (989) | (15) | (50) | 248 | (769) |
| **Balance at end of period** | **(29)** | **(12,767)** | **84** | **(3,801)** | **610** | **(15,903)** |

## Details on significant reclassification adjustments

| in | 4Q13 | 3Q13 | 2013 |
|---|---|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | | | |
| **Cumulative translation adjustments** | | | |
| Sale of subsidiaries [1] | **(2)** | **38** | **84** |
| **Actuarial gains/(losses)** | | | |
| Amortization of recognized actuarial losses [2] | 129 | 87 | 390 |
| Tax expense/(benefit) | (31) | (21) | (96) |
| Net of tax | **98** | **66** | **294** |
| **Net prior service credit/(cost)** | | | |
| Amortization of recognized prior service credit/(cost) [2] | (19) | (27) | (120) |
| Tax expense/(benefit) | 4 | 5 | 25 |
| Net of tax | **(15)** | **(22)** | **(95)** |

[1] Includes net releases of CHF 38 million and CHF 46 million in 3Q13 and 1Q13, respectively, on the sale of JO Hambro which was settled in 3Q13. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total pension costs. Refer to "Note 23 – Pension and other post-retirement benefits" for further information.

## Additional share information

| | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Common shares issued** | | | | | |
| **Balance at beginning of period** | **1,595,433,898** | **1,594,295,735** | **1,320,087,848** | **1,320,829,922** | **1,224,333,062** |
| Issuance of common shares | 685,451 | 1,138,163 | 742,074 | 275,289,427 | 96,496,860 |
| of which MACCS settlement | 0 | 0 | 0 | 199,964,015 | 0 |
| of which share-based compensation | 685,451 | 1,138,163 | 742,074 | 37,773,125 | 38,812,660 |
| **Balance at end of period** | **1,596,119,349** | **1,595,433,898** | **1,320,829,922** | **1,596,119,349** | **1,320,829,922** |
| **Treasury shares** | | | | | |
| **Balance at beginning of period** | **(3,032,833)** | **(2,328,381)** | **(27,423,014)** | **(27,036,831)** | **(4,010,074)** |
| Sale of treasury shares | 104,952,416 | 65,251,532 | 109,063,051 | 401,126,114 | 394,686,376 |
| of which MACCS settlement | 0 | 0 | 0 | 33,488,655 | 0 |
| Repurchase of treasury shares | (107,185,940) | (66,054,256) | (108,788,150) | (385,369,391) | (423,704,092) |
| Share-based compensation | 83,203 | 98,272 | 111,282 | 6,096,954 | 5,990,959 |
| **Balance at end of period** | **(5,183,154)** | **(3,032,833)** | **(27,036,831)** | **(5,183,154)** | **(27,036,831)** |
| **Common shares outstanding** | | | | | |
| **Balance at end of period** | **1,590,936,195** [1] | **1,592,401,065** [2] | **1,293,793,091** [3] | **1,590,936,195** [1] | **1,293,793,091** [3] |

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,049,598 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 661,735,049 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 498,874,240 of these shares were reserved for capital instruments.

[3] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 771,499,654 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 732,326,910 of these shares were reserved for capital instruments (including MACCS).

## Note 20 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

**Derivatives**

The Group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of derivatives

| | 4Q13 | | 4Q12 | |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 265.4 | 262.1 | 365.3 | 365.5 |
| OTC | 183.0 | 178.1 | 337.6 | 327.9 |
| Exchange-traded | 0.3 | 0.0 | 0.3 | 0.2 |
| **Interest rate products** | **448.7** | **440.2** | **703.2** | **693.6** |
| OTC | 58.5 | 68.2 | 60.5 | 73.2 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Foreign exchange products** | **58.6** | **68.4** | **60.5** | **73.2** |
| OTC | 15.5 | 18.6 | 12.7 | 15.2 |
| Exchange-traded | 14.8 | 15.1 | 13.7 | 14.1 |
| **Equity/index-related products** | **30.3** | **33.7** | **26.4** | **29.3** |
| OTC-cleared | 5.2 | 5.1 | 3.0 | 2.7 |
| OTC | 20.8 | 21.2 | 27.1 | 26.8 |
| **Credit derivatives** | **26.0** | **26.3** | **30.1** | **29.5** |
| OTC | 4.4 | 4.0 | 5.8 | 5.6 |
| Exchange-traded | 0.5 | 0.8 | 1.5 | 1.7 |
| **Other products** | **4.9** | **4.8** | **7.3** | **7.3** |
| OTC-cleared | 270.6 | 267.2 | 368.3 | 368.2 |
| OTC | 282.2 | 290.1 | 443.7 | 448.7 |
| Exchange-traded | 15.7 | 16.1 | 15.5 | 16.0 |
| **Total gross derivatives subject to enforceable master netting agreements** | **568.5** | **573.4** | **827.5** | **832.9** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (269.1) | (267.0) | (367.2) | (367.5) |
| OTC | (260.7) | (265.7) | (418.7) | (421.8) |
| Exchange-traded | (15.1) | (15.1) | (14.3) | (14.2) |
| **Offsetting** | **(544.9)** | **(547.8)** | **(800.2)** | **(803.5)** |
| of which counterparty netting | (523.9) | (523.9) | (766.8) | (766.8) |
| of which cash collateral netting | (21.0) | (23.9) | (33.4) | (36.7) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 1.5 | 0.2 | 1.1 | 0.7 |
| OTC | 21.5 | 24.4 | 25.0 | 26.9 |
| Exchange-traded | 0.6 | 1.0 | 1.2 | 1.8 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.6** | **25.6** | **27.3** | **29.4** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **10.1** | **11.3** | **9.8** | **11.3** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.7** | **36.9** | **37.1** | **40.7** |
| of which recorded in trading assets and trading liabilities | 31.6 | 36.5 | 33.2 | 39.5 |
| of which recorded in other assets and other liabilities | 2.1 | 0.4 | 3.9 | 1.2 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

### Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2013 and December 31, 2012. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

#### Offsetting of securities purchased under resale agreements and securities borrowing transactions

| | | | 4Q13 | | | 4Q12 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 112.0 | (25.1) | 86.9 | 141.4 | (41.1) | 100.3 |
| Securities borrowing transactions | 22.7 | (1.7) | 21.0 | 20.9 | (2.0) | 18.9 |
| **Total subject to enforceable master netting agreements** | **134.7** | **(26.8)** | **107.9** | **162.3** | **(43.1)** | **119.2** |
| **Total not subject to enforceable master netting agreements** [1] | **52.1** | **–** | **52.1** | **64.3** | **–** | **64.3** |
| **Total** | **186.8** | **(26.8)** | **160.0** [2] | **226.6** | **(43.1)** | **183.5** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 96,587 million and CHF 113,664 million of the total net amount as of the end of 4Q13 and 4Q12, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 4Q13 | | | 4Q12 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 86.5 | (26.8) | 59.7 | 99.7 | (43.1) | 56.6 |
| Securities lending transactions | 6.6 | 0.0 | 6.6 | 10.8 | 0.0 | 10.8 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 0.0 | 18.5 | 25.9 | 0.0 | 25.9 |
| **Total subject to enforceable master netting agreements** | **111.6** | **(26.8)** | **84.8** | **136.4** | **(43.1)** | **93.3** |
| **Total not subject to enforceable master netting agreements** [1] | **32.0** | **–** | **32.0** | **69.5** | **–** | **69.5** |
| **Total** | **143.6** | **(26.8)** | **116.8** | **205.9** | **(43.1)** | **162.8** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.8 | (26.8) | 94.0 [2] | 175.8 | (43.1) | 132.7 [2] |
| of which obligation to return securities received as collateral, at fair value | 22.8 | 0.0 | 22.8 | 30.1 | 0.0 | 30.1 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 76,104 million and CHF 108,784 million of the total net amount as of the end of 4Q13 and 4Q12, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

## Amounts not offset in the consolidated balance sheets

| | | | | 4Q13 | | | | 4Q12 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.6 | 4.9 | 0.1 | 18.6 | 27.3 | 5.8 | 0.0 | 21.5 |
| Securities purchased under resale agreements | 86.9 | 86.9 | 0.0 | 0.0 | 100.3 | 100.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 21.0 | 20.2 | 0.0 | 0.8 | 18.9 | 17.4 | 0.0 | 1.5 |
| **Total financial assets subject to enforceable master netting agreements** | **131.5** | **112.0** | **0.1** | **19.4** | **146.5** | **123.5** | **0.0** | **23.0** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 25.6 | 9.9 | 0.0 | 15.7 | 29.4 | 10.8 | 0.0 | 18.6 |
| Securities sold under repurchase agreements | 59.7 | 59.7 | 0.0 | 0.0 | 56.6 | 56.4 | 0.2 | 0.0 |
| Securities lending transactions | 6.6 | 6.2 | 0.0 | 0.4 | 10.8 | 10.2 | 0.0 | 0.6 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 17.5 | 0.0 | 1.0 | 25.9 | 24.2 | 0.0 | 1.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **110.4** | **93.3** | **0.0** | **17.1** | **122.7** | **101.6** | **0.2** | **20.9** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative for the Group's counterparty exposure.

## Note 21 Tax

The income tax benefit of CHF 63 million recorded in 4Q13 included the impact of the geographical mix of results, an income tax benefit of CHF 367 million relating to tax deductions arising from participation valuations and the re-measurement of existing deferred tax assets on net operating losses due to changes in forecasted earnings, partially offset by a tax charge of CHF 278 million related to a valuation allowance recognized on existing deferred tax assets in respect of one of the Group's entities in the UK.

The presentation of net deferred tax assets related to net operating losses, net deferred tax assets on temporary differences and net deferred tax liabilities is in accordance with ASC Topic 740 – Income Taxes guidance to interim reporting. Nettable gross deferred tax liabilities are allocated on a pro-rata basis to gross deferred tax assets on net operating losses and gross deferred tax assets on temporary differences. This approach is aligned with the underlying treatment of netting gross deferred tax assets and liabilities under the Basel III framework. Valuation allowances have been allocated against such deferred tax assets on net operating losses first with any remainder allocated to such deferred tax assets on temporary differences. This presentation is considered the most appropriate disclosure given the underlying nature of the gross deferred tax balances.

As of December 31, 2013, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 6.1 billion which are considered indefinitely reinvested. The Group would need to accrue and pay taxes on these undistributed earnings if such earnings were repatriated. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date. It is reasonably possible that there will be a decrease between zero and CHF 72 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; Brazil – 2008; Japan – 2008; the UK – 2006; the US – 2006; and the Netherlands – 2005.

### Effective tax rate

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| **Effective tax rate (%)** | | | | | |
| **Effective tax rate** | **18.9** | 40.4 | 19.0 | **31.2** | 21.2 |

### Reconciliation of taxes computed at the Swiss statutory rate

| in | **4Q13** |
|---|---|
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | |
| Income tax expense/(benefit) computed at the statutory tax rate of 22% | (73) |
| Increase/(decrease) in income taxes resulting from | |
| Foreign tax rate differential | (26) |
| Changes in tax law and rates | 11 |
| Other non-deductible expenses | 157 |
| Changes in deferred tax valuation allowance | 276 |
| Lower taxed income | (6) |
| Income taxable to noncontrolling interests | (80) |
| Tax deductible impairments of Swiss subsidiary investments | (255) |
| Other | (67) |
| **Income tax expense/(benefit)** | **(63)** |

### Foreign tax rate differential

4Q13 included a foreign tax benefit of CHF 26 million in respect of earnings in higher tax jurisdictions, mainly Brazil and the US.

### Changes in tax law and rates

4Q13 included a tax expense of CHF 11 million related to the re-measurement of deferred tax assets resulting from the impact of the reduction of the UK corporate income tax rate from 23% to 20%.

### Other non-deductible expenses

4Q13 included non-deductible interest expenses of CHF 46 million, non-deductible bank levy costs and other non-deductible expenses of CHF 8 million and non-deductible provision accruals of CHF 103 million.

### Changes in deferred tax valuation allowance

4Q13 included the impact of the net increase of valuation allowances of CHF 39 million in respect of four of the Group's operating entities, two in the UK and two in Asia, relating to current year earnings. Additionally, it also included an increase in valuation allowance for previously recognized deferred tax assets in respect of a Group operating entity in the UK of CHF 278 million, partially offset by the release of valuation allowances in respect of another Group operating entity in the UK of CHF 41 million, both relating to changes in future profitability assumptions.

### Lower taxed income

4Q13 included a CHF 19 million income tax benefit related to non-taxable life insurance income, partially offset by a change in the effective tax rate due to actual fourth quarter earnings as compared to the full-year forecast of CHF 13 million.

### Other

4Q13 included a tax benefit of CHF 71 million relating to the increase of deferred tax assets in one of the Group's operating entities in Switzerland. This benefit is related to the re-measurement of pre-existing deferred tax assets due to changes in future profitability assumptions. It also included a benefit for other various smaller items, partially offset by a CHF 19 million income tax charge relating to the increase of tax contingency accruals.

### Net deferred tax assets

| end of | **4Q13** | 3Q13 |
|---|---|---|
| **Net deferred tax assets (CHF million)** | | |
| Deferred tax assets | 6,185 | 6,106 |
| of which net operating losses | 1,380 | 1,607 |
| of which deductible temporary differences | 4,805 | 4,499 |
| Deferred tax liabilities | (394) | (167) |
| **Net deferred tax assets** | **5,791** | **5,939** |

## Note 22 Employee deferred compensation

The Group's current and previous deferred compensation plans include share awards, performance share awards, Plus Bond awards, Partner Asset Facilities awards, Adjustable Performance Plan awards, Restricted Cash Awards, Scaled Incentive Share Units (SISUs), Incentive Share Units (ISUs) and other cash awards.

‣ Refer to "Note 27 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information.

The following tables show the expense for deferred compensation awards recognized in the consolidated statements of operations, the estimated unrecognized expense for deferred compensation awards granted in 4Q13 and prior periods and the associated remaining requisite service period over which the unrecognized expense will be recognized. The estimated unrecognized deferred compensation expense was based on the fair value of each award on the date of grant and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments.

### Deferred compensation expense

| in | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
|---|---|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | | | |
| Share awards | 174 | 183 | 186 | 814 | 786 |
| Performance share awards | 122 | 138 | 81 | 590 | 366 |
| Plus Bond awards [1] | 11 | 10 | 0 | 37 | 0 |
| 2011 Partner Asset Facility awards [2] | 57 | 50 | 60 | 77 | 677 |
| Adjustable Performance Plan share awards | 4 | 6 | 44 | 31 | 74 |
| Adjustable Performance Plan cash awards | (2) | 7 | 18 | 4 | 286 |
| Restricted Cash Awards | 28 | 26 | 37 | 145 | 165 |
| Scaled Incentive Share Units | 9 | 8 | 14 | 41 | 97 |
| Incentive Share Units [3] | (1) | 0 | 11 | (3) | 62 |
| 2008 Partner Asset Facility awards [4] | 13 | 27 | 48 | 93 | 173 |
| Other cash awards | 100 | 97 | 103 | 434 | 362 |
| Discontinued operations | (4) | (11) | (5) | (21) | (23) |
| **Total deferred compensation expense** | **511** | **541** | **597** | **2,242** | **3,025** |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in 1Q13 and expensed over a three-year vesting period.
[2] 2011 Partner Asset Facility awards were granted and expensed in 1Q12. For subsequent periods, compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.
[3] Includes clawbacks.
[4] Compensation expense mainly includes the change in underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation expense

| end of | **4Q13** |
|---|---|
| **Estimated unrecognized deferred compensation expense (CHF million)** | |
| Share awards | 804 |
| Performance share awards | 221 |
| Plus Bond awards | 18 |
| Adjustable Performance Plan share awards | 11 |
| Adjustable Performance Plan cash awards | 13 |
| Restricted Cash Awards | 136 |
| Other cash awards | 111 |
| **Total** | **1,314** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

### Share-based award activity

| | 4Q13 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of awards (in millions) | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards | Share awards | Performance share awards | Adjustable Performance Plan share awards | SISU awards | ISU awards |
| **Share-based award activities** | | | | | | | | | | |
| **Balance at beginning of period** | **73.7** | **41.4** | **14.5** | **4.7** | **1.5** | **55.8** | **23.3** | **30.8** | **9.6** | **3.6** |
| Granted | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 40.4 | 26.6 | 1.2 [1] | 0.0 | 0.0 |
| Settled | (0.7) | 0.0 | 0.0 | 0.0 | (0.1) | (20.0) | (7.6) | (17.2) | (4.8) | (1.8) |
| Forfeited | (0.7) | 0.0 | 0.0 | 0.0 | (0.2) | (3.3) | (0.9) | (0.3) | (0.1) | (0.6) |
| **Balance at end of period** | **72.9** | **41.4** | **14.5** | **4.7** | **1.2** | **72.9** | **41.4** | **14.5** | **4.7** | **1.2** |
| of which vested | 5.8 | 2.7 | 1.2 | 1.2 | 0.1 | 5.8 | 2.7 | 1.2 | 1.2 | 0.1 |
| of which unvested | 67.1 | 38.7 | 13.3 | 3.5 | 1.1 | 67.1 | 38.7 | 13.3 | 3.5 | 1.1 |

[1] Represents additional units earned in 1Q13 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

## Note 23 Pension and other post-retirement benefits

The Group previously disclosed that it expected to contribute CHF 471 million to the Swiss and international defined benefit plans and other post-retirement defined benefit plans in 2013. As of the end of 4Q13, CHF 486 million of contributions had been made.

### Components of total pension costs

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Total pension costs (CHF million)** | | | | | |
| Service costs on benefit obligation | 90 | 93 | 93 | 371 | 378 |
| Interest costs on benefit obligation | 108 | 109 | 128 | 434 | 513 |
| Expected return on plan assets | (184) | (184) | (195) | (736) | (781) |
| Amortization of recognized prior service cost/(credit) | (23) | (23) | (14) | (92) | (55) |
| Amortization of recognized actuarial losses | 90 | 87 | 58 | 350 | 231 |
| **Net periodic pension costs** | **81** | **82** | **70** | **327** | **286** |
| Settlement losses/(gains) | 39 | 0 | 90 | 40 | 90 |
| Curtailment losses/(gains) | 4 | (4) | (11) | (28) | (35) |
| Special termination benefits | 3 | 4 | 4 | 19 | 19 |
| **Total pension costs** | **127** | **82** | **153** | **358** | **360** |

## Note 24 Derivatives and hedging activities

▸ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information.

### Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and balance sheet location and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 27 – Financial instruments" for further information.

### Fair value of derivative instruments

| | | Trading | | | Hedging [1] | |
|---|---|---|---|---|---|---|
| end of 4Q13 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,589.6 | 399.6 | 393.8 | 68.5 | 2.8 | 0.7 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,382.0** | **446.7** | **441.5** | **68.5** | **2.8** | **0.7** |
| Forwards | 2,098.0 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.1 | 28.9 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.0** | **61.3** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 7.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.3 | 12.2 | 12.0 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.2** | **35.3** | **37.2** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [2] | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.4 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.2 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products** [3] | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,327.3** | **575.5** | **583.9** | **108.4** | **3.1** | **0.8** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.7 billion, CHF 578.6 billion and CHF 584.7 billion, respectively, as of December 31, 2013.

[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.

[2] Primarily credit default swaps.

[3] Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 4Q12 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging [1] Notional amount | Hedging [1] Positive replacement value (PRV) | Hedging [1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 8,055.9 | 2.6 | 2.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 29,155.2 | 635.6 | 630.1 | 62.8 | 3.9 | 1.5 |
| Options bought and sold (OTC) | 3,739.9 | 62.4 | 62.6 | 0.0 | 0.0 | 0.0 |
| Futures | 1,145.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 952.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **43,048.4** | **700.9** | **695.4** | **62.8** | **3.9** | **1.5** |
| Forwards | 2,133.4 | 21.6 | 21.3 | 19.6 | 0.2 | 0.1 |
| Swaps | 1,336.3 | 32.2 | 46.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 985.3 | 9.7 | 10.7 | 0.0 | 0.0 | 0.0 |
| Futures | 83.8 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,542.4** | **63.5** | **78.6** | **19.6** | **0.2** | **0.1** |
| Forwards | 5.5 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 211.0 | 4.6 | 5.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 214.9 | 11.4 | 11.1 | 0.0 | 0.0 | 0.0 |
| Futures | 74.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 338.2 | 13.7 | 14.1 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **844.0** | **30.3** | **31.0** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives [3]** | **1,694.4** | **30.6** | **29.8** | **0.0** | **0.0** | **0.0** |
| Forwards | 31.3 | 1.1 | 1.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 55.3 | 3.6 | 3.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 54.2 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Futures | 35.6 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 50.4 | 1.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| **Other products [4]** | **226.8** | **7.9** | **7.8** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,356.0** | **833.2** | **842.6** | **82.4** | **4.1** | **1.6** |

The notional amount, PRV and NRV (trading and hedging) was CHF 50,438.4 billion, CHF 837.3 billion and CHF 844.2 billion, respectively, as of December 31, 2012.
1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.
2 Prior period has been corrected to reclassify the notional amounts from other products to foreign exchange products.
3 Primarily credit default swaps.
4 Primarily precious metals, commodity, energy and emission products.

## Netting of derivative instruments

▸ Refer to "Derivatives" in Note 20 – Offsetting of financial assets and financial liabilities for further information of the netting of derivative instruments.

## Fair value hedges

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | | | |
| Interest rate products | 59 | 41 | 101 | 437 | 834 |
| Foreign exchange products | (1) | 0 | 1 | (9) | (13) |
| **Total** | **58** | **41** | **102** | **428** | **821** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | | | |
| Interest rate products | (55) | (41) | (108) | (435) | (878) |
| Foreign exchange products | 1 | 0 | 0 | 9 | 13 |
| **Total** | **(54)** | **(41)** | **(108)** | **(426)** | **(865)** |
| **Details of fair value hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion | 4 | 0 | (6) | 2 | (44) |

Represents gains/(losses) recognized in trading revenues.

## Cash flow hedges

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Interest rate products | 9 | 18 | 0 | 7 | 8 |
| Foreign exchange products | 6 | 5 | 12 | 13 | 30 |
| **Total** | **15** | **23** | **12** | **20** | **38** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Interest rate products [1] | 2 | 1 | 0 | 3 | 0 |
| Foreign exchange products [2] | 0 | (1) | 0 | (3) | 0 |
| **Total** | **2** | **0** | **0** | **0** | **0** |
| **Details of cash flow hedges (CHF million)** | | | | | |
| Net gains/(losses) on the ineffective portion [1] | 0 | 1 | (1) | 1 | 0 |

[1] Included in trading revenues.
[2] Included in other revenues.

As of the end of 4Q13, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was three years.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 3 million.

## Net investment hedges

| in | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | | | |
| Foreign exchange products | 198 | 597 | 325 | 504 | (81) |
| **Total** | **198** | **597** | **325** | **504** | **(81)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | | | |
| Foreign exchange products [1] | 0 | 2 | (2) | 2 | 75 |
| **Total** | **0** | **2** | **(2)** | **2** | **75** |

Represents gains/(losses) on effective portion.
[1] Included in other revenues.

The Group includes all derivative instruments not included in hedge accounting relationships in its trading activities.

‣ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

### Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty, at the existing mark-to-market replacement value of the derivative contract.

The following table provides the Group's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and SPEs that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| | | | | **4Q13** | | | | 4Q12 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** | Bilateral counterparties | Special purpose entities | Accelerated terminations | **Total** |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.7 | 1.1 | 0.1 | **12.9** | 15.3 | 1.4 | 0.6 | **17.3** |
| Collateral posted | 10.6 | 1.2 | – | **11.8** | 13.4 | 1.4 | – | **14.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.8 | 0.0 | **1.4** | 0.2 | 0.5 | 0.0 | **0.7** |
| Additional collateral required in a two-notch downgrade event | 2.3 | 1.1 | 0.0 | **3.4** | 2.7 [1] | 1.5 | 0.5 | **4.7** |

[1] Additional collateral required in a two-notch downgrade event has been corrected.

### Credit derivatives

‣ Refer to "Note 30 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on credit derivatives.

#### Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other derivative instruments were excluded as they do not fall within the scope of US GAAP rules. TRS of CHF 7.4 billion and CHF 6.0 billion as of the end of 4Q13 and 4Q12, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

#### Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events.

#### Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold.

#### Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

#### Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

## Credit protection sold/purchased

| end of | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **4Q13** | | | | | 4Q12 |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 | (394.6) | 373.9 | (20.7) | 56.0 | 2.5 |
| Non-investment grade | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 | (135.4) | 129.3 | (6.1) | 11.3 | (0.4) |
| **Total single-name instruments** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** | **(530.0)** [3] | **503.2** [3] | **(26.8)** | **67.3** [3] | **2.1** [3] |
| of which sovereign | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) | (119.4) | 117.1 | (2.3) | 10.3 | (0.7) |
| of which non-sovereign | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 | (410.6) | 386.1 | (24.5) | 57.0 | 2.8 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 | (222.2) | 207.1 | (15.1) | 20.6 | (0.7) |
| Non-investment grade | (65.0) | 59.0 [4] | (6.0) | 13.5 | 1.5 | (62.8) | 56.1 [4] | (6.7) | 9.8 | (1.6) |
| **Total multi-name instruments** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** | **(285.0)** [3] | **263.2** [3] | **(21.8)** | **30.4** [3] | **(2.3)** [3] |
| of which sovereign | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 | (13.5) | 13.1 | (0.4) | 0.4 | (0.1) |
| of which non-sovereign | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 | (271.5) | 250.1 | (21.4) | 30.0 | (2.2) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 | (616.8) | 581.0 | (35.8) | 76.6 | 1.8 |
| Non-investment grade | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 | (198.2) | 185.4 | (12.8) | 21.1 | (2.0) |
| **Total instruments** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** | **(815.0)** | **766.4** | **(48.6)** | **97.7** | **(0.2)** |
| of which sovereign | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) | (132.9) | 130.2 | (2.7) | 10.7 | (0.8) |
| of which non-sovereign | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 | (682.1) | 636.2 | (45.9) | 87.0 | 0.6 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Credit protection instruments have been corrected to reclassify certain single-name instruments to multi-name instruments.
4 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | **4Q13** | 4Q12 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 698.7 | 815.0 |
| Credit protection purchased | 663.9 | 766.4 |
| Other protection purchased | 109.0 | 97.7 |
| Other instruments [1] | 11.7 | 15.3 |
| **Total credit derivatives** | **1,483.3** | **1,694.4** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | Total |
|---|---|---|---|---|
| **4Q13 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |
| **4Q12 (CHF billion)** | | | | |
| Single-name instruments | 125.0 | 326.0 | 79.0 | 530.0 |
| Multi-name instruments | 42.7 | 171.0 | 71.3 | 285.0 |
| **Total instruments** | **167.7** | **497.0** | **150.3** | **815.0** |

## Note 25 Guarantees and commitments

### Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate Credit Suisse to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, securities lending indemnifications, derivatives and other guarantees.

▸ Refer to "Guarantees" in V – Consolidated financial statements – Credit Suisse Group – Note 31 – Guarantees and commitments in the Credit Suisse Annual Report 2012 for a detailed description of guarantees.

### Guarantees

| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|
| **4Q13 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments | 2,826 | 2,090 | 4,916 | 4,768 | 34 | 2,333 |
| Performance guarantees and similar instruments | 4,428 | 2,937 | 7,365 | 6,444 | 87 | 3,312 |
| Securities lending indemnifications | 11,479 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 13,403 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 4,003 | 1,212 | 5,215 | 5,191 | 3 | 2,631 |
| **Total guarantees** | **40,983** | **19,642** | **60,625** | **59,532** | **839** | **19,755** |
| **4Q12 (CHF million)** | | | | | | |
| Credit guarantees and similar instruments [4] | 10,104 | 2,483 | 12,587 | 12,200 | 53 | 1,920 |
| Performance guarantees and similar instruments | 5,160 | 4,371 | 9,531 | 8,793 | 139 | 3,336 |
| Securities lending indemnifications | 12,211 | 0 | 12,211 | 12,211 | 0 | 12,211 |
| Derivatives [2] | 21,197 | 14,218 | 35,415 | 35,415 | 985 | – [3] |
| Other guarantees | 4,297 | 1,122 | 5,419 | 5,397 | 3 | 2,812 |
| **Total guarantees** | **52,969** | **22,194** | **75,163** | **74,016** | **1,180** | **20,279** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.
[4] Prior period has been corrected.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.6 billion. These deposit insurance guarantees were reflected in other guarantees.

### PAF2 transaction

The Group's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Group. In 1Q12, the Group entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covered approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Group, and was addressed in three layers: (i) first loss (USD 0.5 billion), (ii) mezzanine (USD 0.8 billion) and (iii) senior (USD 11 billion). The first loss element was retained by the Group and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic collateralized debt obligation (CDO) trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Group's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Group for counterparty risk management. As of the end of 4Q13, the carrying value of the PAF2 awards was CHF 652 million. The amount of the PAF2 awards compensation expense for 4Q13 was CHF 57 million and is included in the amount reflected in the "Deferred compensation expense" table in Note 22 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Group had purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a CDS, accounted for at fair value, with a third-party entity. The value of the senior layer was calculated using the same model as for the PAF2 awards. The Group also had a credit support facility with this entity that allowed the Group to provide credit support in connection with other assets that are commonly financed through the issuance of commercial paper (CP) and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances included: (i) a disruption of the CP market such that the entity could not issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeded certain thresholds and the Group instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider was downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount could be settled by the assignment of the rights and obligations of the CDS to the Group. The credit support facility was accounted for on an accrual basis.

In December 2012, the BCBS published updated regulatory guidance that made the PAF2 transaction as it was structured ineligible for counterparty credit spread hedging under the Basel III framework. As a result of this new guidance, the Group had the right to exercise a regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. In October 2013, the Group exercised the call to terminate the CDS and the credit support layer at par. As of the end of 4Q13, the mezzanine layer remained in place.

**Representations and warranties on residential mortgage loans sold**

In connection with Investment Banking's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac (GSEs); institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

With respect to its outstanding repurchase claims, the Group is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2013 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 4Q13, 3Q13 and 4Q12, including realized losses from the repurchase of residential mortgage loans sold.

**Residential mortgage loans sold**

| January 1, 2004 to December 31, 2013 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 23.5 |
| Non-agency securitizations | 133.8 [2] |
| **Total residential mortgage loans sold** | **165.5** |

[1] Primarily banks.

[2] The outstanding balance of residential mortgage loans sold was USD 26.2 billion as of the end of 4Q13. The difference of the total balance of mortgage loans sold and the outstanding balance as of the end of 4Q13 is attributable to borrower payments of USD 88.9 billion and losses of USD 18.7 billion due to loan defaults.

## Residential mortgage loans sold – outstanding repurchase claims

| | 4Q13 | | | | 3Q13 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **66** | **419** | **72** | **557** | **81** | **420** | **1,194** | **1,695** |
| New claims | 21 | 2 | 541 | 564 | 12 | 22 | 9 | 43 |
| Claims settled through repurchases | 0 | (1) | 0 | (1) [1] | 0 | 0 | 0 | 0 |
| Other settlements | (5) | 0 | 0 | (5) [2] | (18) | (23) | 0 | (41) [2] |
| Total claims settled | (5) | (1) | 0 | (6) | (18) | (23) | 0 | (41) |
| Claims rescinded | (5) | 0 | 0 | (5) | (9) | 0 | 0 | (9) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (530) | (530) | 0 | 0 | (1,131) [4] | (1,131) |
| **Balance at end of period** | **77** | **420** | **83** | **580** | **66** | **419** | **72** | **557** |

| | 4Q12 | | | |
|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | |
| **Balance at beginning of period** | **62** | **467** | **1,147** | **1,676** |
| New claims | 14 | 3 | 754 | 771 |
| Claims settled through repurchases | (1) | 0 | (2) | (3) [1] |
| Other settlements | (3) | (6) | (19) | (28) [2] |
| Total claims settled | (4) | (6) | (21) | (31) |
| Claims rescinded | (5) | 0 | 0 | (5) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (485) | (485) |
| **Balance at end of period** | **67** | **464** | **1,395** | **1,926** |

[1] Settled at a repurchase price of USD 0 million and USD 2 million in 4Q13 and 4Q12, respectively.
[2] Settled at USD 3 million, USD 20 million and USD 21 million in 4Q13, 3Q13 and 4Q12, respectively.
[3] Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.
[4] Transfers to arbitration and litigation disclosed in 3Q13 include portfolios of claims of approximately USD 0.6 billion for which formal legal proceedings had commenced in prior periods.

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total | Government-sponsored enterprises | Private investors | Non-agency securitizations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **67** | **464** | **1,395** | **1,926** | **68** | **432** | **243** | **743** |
| New claims | 69 | 139 | 1,039 | 1,247 | 58 | 57 | 2,032 | 2,147 |
| Claims settled through repurchases | (4) | (1) | (2) | (7) [1] | (7) | 0 | (7) | (14) [1] |
| Other settlements | (31) | (178) | (7) | (216) [2] | (15) | (7) | (32) | (54) [2] |
| Total claims settled | (35) | (179) | (9) | (223) | (22) | (7) | (39) | (68) |
| Claims rescinded | (24) | (4) | 0 | (28) | (37) | (18) | 0 | (55) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (2,342) [4] | (2,342) | 0 | 0 | (841) | (841) |
| **Balance at end of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |

[1] Settled at a repurchase price of USD 6 million and USD 15 million in 2013 and 2012, respectively.
[2] Settled at USD 48 million and USD 41 million in 2013 and 2012, respectively.
[3] Refer to "Note 29 – Litigation" for repurchase claims that are in arbitration or litigation.
[4] Transfers to arbitration and litigation disclosed in 2013 include portfolios of claims of approximately USD 0.3 billion for which formal legal proceedings had commenced in prior periods.

### Provisions for outstanding repurchase claims

| | 4Q13 | 3Q13 | 4Q12 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Provisions for outstanding repurchase claims (USD million)** [1] | | | | | |
| **Balance at beginning of period** | **88** | **98** | **53** | **55** | **59** |
| Increase/(decrease) in provisions, net | 61 | 10 | 25 | 145 | 52 |
| Realized losses [2] | (3) [3] | (20) [4] | (23) [5] | (54) [4] | (56) [3] |
| **Balance at end of period** | **146** [4] | **88** [6] | **55** [6] | **146** [4] | **55** [6] |

[1] Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 29 – Litigation" for further information.
[2] Includes indemnifications paid to resolve loan repurchase claims.
[3] Primarily related to government-sponsored enterprises and non-agency securitizations.
[4] Primarily related to government-sponsored enterprises and private investors.
[5] Primarily related to non-agency securitizations.
[6] Primarily related to government-sponsored enterprises.

Representations and warranties relating to residential mortgage loans sold to non-agency securitization vehicles are more limited in scope than those relating to residential mortgage loans sold to GSEs, and it can be more difficult to establish causation and standing in making a repurchase claim for breach of representations and warranties on residential mortgage loans sold in non-agency securitizations. The Group is involved in litigation relating to representations and warranties on residential mortgage loans sold.

‣ Refer to "Note 29 – Litigation" for further information.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in the Guarantees and commitments disclosure of repurchase claims and related loss contingencies and provisions but are addressed in litigation and related loss contingencies and provisions.

Repurchase claims relating to residential mortgage loans sold may increase in the future based on the large number of defaults in residential mortgages, including those sold or securitized by the Group.

### Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees include disposal-related contingencies in connection with the sale of assets or businesses, and other indemnifications. These guarantees are not reflected in the "Guarantees" table.

‣ Refer to "Disposal-related contingencies and other indemnifications" in V – Consolidated financial statements – Credit Suisse Group – Note 31 – Guarantees and commitments in the Credit Suisse Annual Report 2012 for a description of these guarantees.

### Other commitments

Other commitments of the Group are classified as follows: irrevocable commitments under documentary credits, irrevocable loan commitments, forward reverse repurchase agreements and other commitments.

‣ Refer to "Other commitments" in V – Consolidated financial statements – Credit Suisse Group – Note 31 – Guarantees and commitments in the Credit Suisse Annual Report 2012 for a description of these commitments.

### Other commitments

| | | | | | 4Q13 | | | | | 4Q12 |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received | Maturity less than 1 year | Maturity greater than 1 year | **Total gross amount** | Total net amount [1] | Collateral received |
| **Other commitments (CHF million)** | | | | | | | | | | |
| Irrevocable commitments under documentary credits | 5,484 | 28 | 5,512 | 5,452 | 3,381 | 6,217 | 41 | 6,258 | 6,061 | 3,219 |
| Irrevocable loan commitments [2] | 27,250 | 69,740 | 96,990 | 92,732 | 47,996 | 32,794 | 67,425 | 100,219 | 94,748 | 32,765 |
| Forward reverse repurchase agreements | 26,893 | 0 | 26,893 | 26,893 | 26,893 | 45,556 | 0 | 45,556 | 45,556 | 45,556 |
| Other commitments | 2,481 | 1,410 | 3,891 | 3,891 | 350 | 949 | 1,612 | 2,561 | 2,561 | 131 |
| **Total other commitments** | **62,108** | **71,178** | **133,286** | **128,968** | **78,620** | **85,516** | **69,078** | **154,594** | **148,926** | **81,671** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 90,254 million and CHF 78,887 million of unused credit limits as of the end of 4Q13 and 4Q12, respectively, which were revocable at the Group's sole discretion upon notice to the client. The prior period has been adjusted to the current presentation.

## Note 26 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and Group tax or regulatory purposes.

### TRANSFERS OF FINANCIAL ASSETS

#### Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, CP and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), RMBS and asset-backed securities (ABS) that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include CDOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CDOs are collateralized by the assets transferred to the CDO vehicle and pay a return based on the returns on those assets. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and CDOs involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2013 and 2012 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

### Securitizations

| in | 2013 | 2012 |
|---|---|---|
| **Gains and cash flows (CHF million)** | | |
| **CMBS** | | |
| Net gain [1] | 4 | 56 |
| Proceeds from transfer of assets | 5,574 | 6,156 |
| Cash received on interests that continue to be held | 70 | 57 |
| **RMBS** | | |
| Net gain/(loss) [1] | (8) | 3 |
| Proceeds from transfer of assets | 24,523 | 15,143 |
| Purchases of previously transferred financial assets or its underlying collateral | (10) | (25) |
| Servicing fees | 4 | 3 |
| Cash received on interests that continue to be held | 486 | 554 |
| **Other asset-backed financings** | | |
| Net gain [1] | 15 | 83 |
| Proceeds from transfer of assets | 915 | 591 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | (213) | (621) |
| Cash received on interests that continue to be held | 633 | 1,350 |

[1] Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
[2] Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

### Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets.

▸ Refer to “Transfer of financial assets” in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2012 for a detailed description of continuing involvement in transferred financial assets.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 4Q13 and 4Q12, regardless of when the transfer of assets occurred.

### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

| end of | 4Q13 | 4Q12 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 37,308 | 30,050 |
| Total assets of SPE | 48,715 | 45,407 |
| **RMBS** | | |
| Principal amount outstanding | 45,571 | 58,112 |
| Total assets of SPE | 48,741 | 60,469 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 27,854 | 32,805 |
| Total assets of SPE | 27,854 | 32,805 |

Principal amount outstanding relates to assets transferred from the Group and does not include principal amounts for assets transferred from third parties.

### Fair value of beneficial interests

The fair value measurement of the beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Group may utilize to hedge the inherent risks.

## Key economic assumptions at the time of transfer

▸ Refer to "Note 27 – Financial instruments" for information on fair value hierarchy levels.

### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | | **4Q13** | | 4Q12 |
|---|---|---|---|---|
| at time of transfer | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 633 | 2,993 | 761 | 2,219 |
| of which level 2 | 476 | 2,879 | 654 | 2,090 |
| of which level 3 | 156 | 114 | 107 | 129 |
| Weighted-average life, in years | 7.3 | 7.7 | 8.4 | 5.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 2.0–31.0 | – [2] | 0.1–34.9 |
| Cash flow discount rate (rate per annum), in % [3] | 1.6–11.6 | 0.0–45.9 | 0.8–10.7 | 0.1–25.7 |
| Expected credit losses (rate per annum), in % | 0.0–7.5 | 0.0–45.8 | 0.5–9.0 | 0.0–25.1 |

Transfers of assets in which the Group does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

## Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 4Q13 and 4Q12.

### Key economic assumptions used in measuring fair value of beneficial interests held in SPEs

| | | | **4Q13** | | | 4Q12 |
|---|---|---|---|---|---|---|
| | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,132 | 2,354 | 284 | 274 | 1,929 | 692 |
| of which non-investment grade | 26 | 359 | 204 | 90 | 342 | 686 |
| Weighted-average life, in years | 6.5 | 8.6 | 3.7 | 4.0 | 5.2 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–23.5 | – | – | 0.1–27.6 | – |
| Impact on fair value from 10% adverse change | – | (26.6) | – | – | (38.5) | – |
| Impact on fair value from 20% adverse change | – | (48.6) | – | – | (74.3) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 | 1.1–50.2 | 0.2–42.8 | 0.7–51.7 |
| Impact on fair value from 10% adverse change | (25.5) | (65.0) | (2.4) | (14.8) | (62.8) | (1.0) |
| Impact on fair value from 20% adverse change | (50.0) | (124.9) | (4.9) | (19.9) | (93.5) | (1.8) |
| Expected credit losses (rate per annum), in % | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 | 0.9–49.5 | 0.9–42.8 | 0.3–51.4 |
| Impact on fair value from 10% adverse change | (10.9) | (42.2) | (0.4) | (14.4) | (55.9) | (0.8) |
| Impact on fair value from 20% adverse change | (21.5) | (79.6) | (0.7) | (19.2) | (80.3) | (1.6) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[2] CDOs within this category are generally structured to be protected from prepayment risk.

[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[4] The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 4Q13 and 4Q12.

▸ Refer to "Note 28 – Assets pledged and collateral" for further information.

#### Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved

| end of | **4Q13** | 4Q12 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 432 | 467 |
| Liability to SPE, included in Other liabilities | (432) | (467) |
| **Other asset-backed financings** | | |
| Trading assets | 216 | 1,171 |
| Other assets | 157 | 913 |
| Liability to SPE, included in Other liabilities | (373) | (2,084) |

## VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: CDOs, CP conduits and financial intermediation.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2012 for a detailed description of VIEs, CDOs, CP conduit or financial intermediation.

### Collateralized debt obligations

The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction.

### Commercial paper conduit

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for one asset-backed CP conduit, Alpine, a client-focused multi-seller conduit vehicle. Alpine publishes portfolio and asset data and submits its portfolio to a rating agency for public ratings based on the cash flows of the portfolio taken as a whole. This CP conduit purchases assets, primarily loans and receivables, from clients and finances such purchases through the issuance of CP backed by these assets. For an asset to qualify for acquisition by the CP conduit, it must be rated at least investment grade after giving effect to the related asset-specific credit enhancement primarily provided by the client seller of the asset. The clients provide credit support to investors of the CP conduit in the form of over-collateralization and other asset-specific enhancements. Further, an unaffiliated investor retains a limited first-loss position in Alpine's entire portfolio. Alpine is a separate legal entity that is wholly owned by the Group. However, its assets are available to satisfy only the claims of its creditors. In addition, the Group, as administrator and liquidity and credit enhancement facilities provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Group is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 19 days and 27 days as of 4Q13 and 4Q12, respectively. As of 4Q13 and 4Q12, Alpine had the highest short-term ratings from Moody's and Dominion Bond Rating Service and was rated A-1 by Standard & Poor's and F-1 by Fitch. The majority of Alpine's purchased assets were highly rated loans or receivables in the consumer sector, including residential mortgages and advance financing receivables, and auto and equipment loans or leases. As of 4Q13 and 4Q12, those assets had an average rating of AA, based on the lowest of each asset's external or internal rating, and an average maturity of 2.1 years and 2.9 years as of 4Q13 and 4Q12, respectively.

### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

Financial intermediation consists of securitizations, funds, loans and other vehicles.

## Consolidated VIEs

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Group consolidates all VIEs related to financial intermediation for which it was the primary beneficiary.

The consolidated VIEs tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of the end of 4Q13 and 4Q12.

### Consolidated VIEs in which the Group was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi-tizations | Funds | Loans | Other | **Total** |
| **4Q13 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 447 | 66 | 513 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 308 | 1,680 | 14,330 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,777** | **3,164** | **27,654** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 153 | 438 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **254** | **1,227** | **18,346** |
| **4Q12 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,534 | 27 | 0 | 125 | 44 | 20 | 1,750 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 117 | 0 | 0 | 0 | 0 | 117 |
| Trading assets | 1,064 | 196 | 14 | 1,861 | 565 | 997 | 4,697 |
| Investment securities | 0 | 23 | 0 | 0 | 0 | 0 | 23 |
| Other investments | 0 | 0 | 0 | 0 | 1,712 | 577 | 2,289 |
| Net loans | 0 | 4,360 | 859 | 0 | 405 | 429 | 6,053 |
| Premises and equipment | 0 | 0 | 0 | 0 | 509 | 72 | 581 |
| Other assets | 7,369 | 1,637 | 3,111 | 4 | 572 | 1,843 | 14,536 |
| of which loans held-for-sale | 7,324 | 0 | 3,110 | 0 | 71 | 0 | 10,505 |
| **Total assets of consolidated VIEs** | **9,967** | **6,360** | **3,984** | **1,990** | **3,807** | **3,938** | **30,046** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 247 | 247 |
| Trading liabilities | 20 | 0 | 0 | 0 | 4 | 101 | 125 |
| Short-term borrowings | 0 | 5,776 | 0 | 3 | 0 | 3,803 | 9,582 |
| Long-term debt | 9,944 | 14 | 3,608 | 500 | 38 | 428 | 14,532 |
| Other liabilities | 45 | 6 | 97 | 7 | 168 | 905 | 1,228 |
| **Total liabilities of consolidated VIEs** | **10,009** | **5,796** | **3,705** | **510** | **210** | **5,484** | **25,714** |

### Non-consolidated VIEs

The non-consolidated VIEs tables provide the carrying amounts and classification of the assets and liabilities of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

▸ Refer to "Variable interest entities" in V – Consolidated financial statements – Credit Suisse Group – Note 32 – Transfer of financial assets and variable interest entities in the Credit Suisse Annual Report 2012 for further information on non-consolidated VIEs.

### Non-consolidated VIEs

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | Total |
| **4Q13 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,812 | 2,856 | 1,282 | 7,565 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,838** | **3,581** | **2,001** | **15,138** |
| **Maximum exposure to loss** | **186** | **7,496** | **4,026** | **7,433** | **2,090** | **21,231** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **19,450** | **217,838** |
| **4Q12 (CHF million)** | | | | | | |
| Trading assets | 100 | 3,210 | 1,143 | 868 | 600 | 5,921 |
| Net loans | 8 | 111 | 2,148 | 3,572 | 1,668 | 7,507 |
| Other assets | 0 | 17 | 49 | 0 | 4 | 70 |
| **Total variable interest assets** | **108** | **3,338** | **3,340** | **4,440** | **2,272** | **13,498** |
| **Maximum exposure to loss** | **108** | **14,123** | **3,575** | **4,906** | **3,039** | **25,751** |
| **Non-consolidated VIE assets** | **5,163** | **103,990** | **52,268** | **22,304** | **15,491** | **199,216** |

## Note 27 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:

- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes)
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

### CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

▸ Refer to "Note 33 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on the Group's concentrations of credit risk.

## FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as CVA) is considered when measuring the fair value of assets and the impact of changes in the Group's own credit spreads (known as DVA) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This change to the fair value measurement guidance is consistent with industry practice. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

## Assets and liabilities measured at fair value on a recurring basis

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,218 | 5,069 | 0 | 110,116 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,268 | 2,128 | 0 | 26,410 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,322 | 5,778 | 595 | 0 | 76,695 |
| Derivatives | 6,610 | 563,649 | 5,217 | (543,873) | 31,603 |
| of which interest rate products | 1,065 | 444,056 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,807 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,763 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,691 | 4,479 | 2,829 | 0 | 10,999 |
| Trading assets | 122,452 | 637,124 | 13,710 | (543,873) | 229,413 |
| Debt | 1,788 | 1,098 | 0 | 0 | 2,886 |
| of which foreign governments | 1,386 | 2 | 0 | 0 | 1,388 |
| of which corporates | 0 | 606 | 0 | 0 | 606 |
| of which CDO | 0 | 490 | 0 | 0 | 490 |
| Equity | 2 | 97 | 2 | 0 | 101 |
| Investment securities | 1,790 | 1,195 | 2 | 0 | 2,987 |
| Private equity | 0 | 0 | 3,345 | 0 | 3,345 |
| of which equity funds | 0 | 0 | 2,236 | 0 | 2,236 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,630 | 0 | 1,645 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,969 | 0 | 7,596 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,530 | 6,159 | (1,032) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **150,484** | **770,575** | **35,084** | **(544,905)** | **411,238** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **150,238** | **761,430** | **29,845** | **(544,905)** | **396,608** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q13 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,450 | 0 | 0 | 1,450 |
| Customer deposits | 0 | 3,197 | 55 | 0 | 3,252 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,311 | 2 | 0 | 24,350 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,130 | 2 | 0 | 4,133 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,444 | 5,545 | (547,385) | 36,483 |
| of which interest rate products | 896 | 439,446 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,547 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,622 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,064 | 5,564 | (547,385) | 76,635 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 53,589 | 9,780 | 0 | 63,369 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,679 | 6,217 | 0 | 26,896 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,511 | 2,861 | (399) | 21,973 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **739,391** | **18,539** | **(547,784)** | **271,636** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q12 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 569 | 0 | 0 | 569 |
| Interest-bearing deposits with banks | 0 | 627 | 0 | 0 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 113,664 | 0 | 0 | 113,664 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 55,592 | 74,391 | 5,888 | 0 | 135,871 |
| of which foreign governments | 53,918 | 11,032 | 79 | 0 | 65,029 |
| of which corporates | 1 | 25,932 | 3,192 | 0 | 29,125 |
| of which RMBS | 0 | 30,392 | 724 | 0 | 31,116 |
| of which CMBS | 0 | 4,335 | 1,023 | 0 | 5,358 |
| of which CDO | 0 | 2,620 | 447 | 0 | 3,067 |
| Equity | 66,664 | 7,746 | 485 | 0 | 74,895 |
| Derivatives | 3,428 | 823,016 | 6,650 | (799,886) | 33,208 |
| of which interest rate products | 703 | 698,297 | 1,859 | – | – |
| of which foreign exchange products | 1 | 62,717 | 754 | – | – |
| of which equity/index-related products | 2,538 | 25,820 | 1,920 | – | – |
| of which credit derivatives | 0 | 29,274 | 1,294 | – | – |
| Other | 7,203 | 2,736 | 2,486 | 0 | 12,425 |
| Trading assets | 132,887 | 907,889 | 15,509 | (799,886) | 256,399 |
| Debt | 2,066 | 1,168 | 169 | 0 | 3,403 |
| of which foreign governments | 1,583 | 1 | 21 | 0 | 1,605 |
| of which corporates | 0 | 720 | 125 | 0 | 845 |
| of which CDO | 0 | 447 | 23 | 0 | 470 |
| Equity | 4 | 90 | 1 | 0 | 95 |
| Investment securities | 2,070 | 1,258 | 170 | 0 | 3,498 |
| Private equity | 0 | 0 | 3,958 | 0 | 3,958 |
| of which equity funds | 0 | 0 | 2,633 | 0 | 2,633 |
| Hedge funds | 0 | 470 | 165 | 0 | 635 |
| of which debt funds | 0 | 349 | 84 | 0 | 433 |
| Other equity investments | 271 | 69 | 2,243 | 0 | 2,583 |
| of which private | 0 | 61 | 2,245 | 0 | 2,306 |
| Life finance instruments | 0 | 0 | 1,818 | 0 | 1,818 |
| Other investments | 271 | 539 | 8,184 | 0 | 8,994 |
| Loans | 0 | 13,381 | 6,619 | 0 | 20,000 |
| of which commercial and industrial loans | 0 | 6,191 | 4,778 | 0 | 10,969 |
| of which financial institutions | 0 | 5,934 | 1,530 | 0 | 7,464 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 43 | 0 | 43 |
| Other assets | 5,439 | 26,912 | 5,164 | (240) | 37,275 |
| of which loans held-for-sale | 0 | 14,899 | 4,463 | 0 | 19,362 |
| **Total assets at fair value** | **170,344** | **1,065,207** | **35,689** | **(800,126)** | **471,114** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (240) | (99) | (3,292) | 0 | (3,631) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,769) | (2,745) | 0 | (11,514) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **170,104** | **1,056,339** | **29,652** | **(800,126)** | **455,969** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 4Q12 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 3,413 | 0 | 0 | 3,413 |
| Customer deposits | 0 | 4,618 | 25 | 0 | 4,643 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 108,784 | 0 | 0 | 108,784 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Obligation to return securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 25,782 | 7,014 | 196 | 0 | 32,992 |
| of which foreign governments | 25,623 | 1,476 | 0 | 0 | 27,099 |
| of which corporates | 0 | 5,030 | 196 | 0 | 5,226 |
| Equity | 17,912 | 389 | 6 | 0 | 18,307 |
| Derivatives | 3,173 | 834,228 | 5,154 | (803,038) | 39,517 |
| of which interest rate products | 628 | 693,430 | 1,357 | – | – |
| of which foreign exchange products | 1 | 76,963 | 1,648 | – | – |
| of which equity/index-related products | 2,305 | 27,684 | 1,003 | – | – |
| of which credit derivatives | 0 | 28,952 | 819 | – | – |
| Trading liabilities | 46,867 | 841,631 | 5,356 | (803,038) | 90,816 |
| Short-term borrowings | 0 | 4,389 | 124 | 0 | 4,513 |
| Long-term debt | 218 | 55,068 | 10,098 | 0 | 65,384 |
| of which treasury debt over two years | 0 | 10,565 | 0 | 0 | 10,565 |
| of which structured notes over two years | 0 | 22,543 | 6,189 | 0 | 28,732 |
| of which non-recourse liabilities | 218 | 11,006 | 2,551 | 0 | 13,775 |
| Other liabilities | 0 | 24,399 | 2,848 | (376) | 26,871 |
| of which failed sales | 0 | 2,523 | 1,160 | 0 | 3,683 |
| **Total liabilities at fair value** | **76,762** | **1,042,670** | **18,451** | **(803,414)** | **334,469** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2013, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers were primarily in exchange traded derivatives as they moved closer to maturity and pricing inputs became more observable. Transfers out of level 1 to level 2 were primarily from trading assets. The transfers were primarily in equity as suitable closing prices were unobtainable as of the end of 2013.

### Transfers between level 1 and level 2

| | **2013** | | 2012 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 499 | 92 | 318 | 23,632 |
| Equity | 437 | 183 | 209 | 650 |
| Derivatives | 5,090 | 2 | 5,510 | 20 |
| **Trading assets** | **6,026** | **277** | **6,037** | **24,302** |
| **Liabilities (CHF million)** | | | | |
| Debt | 11 | 18 | 87 | 34 |
| Equity | 248 | 17 | 100 | 226 |
| Derivatives | 4,433 | 11 | 6,441 | 72 |
| **Trading liabilities** | **4,692** | **46** | **6,628** | **332** |

## Assets and liabilities measured at fair value on a recurring basis for level 3

| 2013 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 0 | 0 | 0 |
| Debt | 5,888 | 1,418 | (1,977) | 6,363 |
| of which corporates | 3,192 | 571 | (552) | 1,759 |
| of which RMBS | 724 | 467 | (690) | 1,012 |
| of which CMBS | 1,023 | 86 | (310) | 497 |
| of which CDO | 447 | 55 | (357) | 3,072 |
| Equity | 485 | 303 | (237) | 405 |
| Derivatives | 6,650 | 1,442 | (2,208) | 0 |
| of which interest rate products | 1,859 | 244 | (363) | 0 |
| of which equity/index-related products | 1,920 | 223 | (1,020) | 0 |
| of which credit derivatives | 1,294 | 923 | (633) | 0 |
| Other | 2,486 | 288 | (487) | 3,266 |
| Trading assets | 15,509 | 3,451 | (4,909) | 10,034 |
| Investment securities | 170 | 0 | (230) | 165 |
| Equity | 6,366 | 106 | (63) | 1,526 |
| Life finance instruments | 1,818 | 0 | 0 | 189 |
| Other investments | 8,184 | 106 | (63) | 1,715 |
| Loans | 6,619 | 320 | (1,561) | 800 |
| of which commercial and industrial loans | 4,778 | 305 | (315) | 727 |
| of which financial institutions | 1,530 | 15 | (6) | 71 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 12 |
| Other assets | 5,164 | 3,552 | (2,998) | 4,781 |
| of which loans held-for-sale [2] | 4,463 | 3,539 | (2,918) | 4,456 |
| **Total assets at fair value** | **35,689** | **7,429** | **(9,761)** | **17,507** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,503 | (1,537) | 66 |
| of which interest rate derivatives | 1,357 | 75 | (134) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (21) | 0 |
| of which equity/index-related derivatives | 1,003 | 360 | (676) | 0 |
| of which credit derivatives | 819 | 1,001 | (590) | 0 |
| Short-term borrowings | 124 | 43 | (99) | 0 |
| Long-term debt | 10,098 | 2,322 | (2,375) | 0 |
| of which structured notes over two years | 6,189 | 453 | (1,226) | 0 |
| of which non-recourse liabilities | 2,551 | 1,836 | (670) | 0 |
| Other liabilities | 2,848 | 227 | (149) | 213 |
| of which failed sales | 1,160 | 176 | (82) | 154 |
| **Total liabilities at fair value** | **18,451** | **4,095** | **(4,160)** | **279** |
| **Net assets/(liabilities) at fair value** | **17,238** | **3,334** | **(5,601)** | **17,228** |

1 For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
2 Includes unrealized gains recorded in trading revenues of CHF 238 million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 362 | (153) | 0 | 4 | 0 | 0 | (9) | 204 |
| (7,043) | 0 | 0 | 165 | 465 | 0 | 0 | (210) | 5,069 |
| (3,022) | 0 | 0 | 109 | 157 | 0 | 0 | (86) | 2,128 |
| (1,162) | 0 | 0 | 11 | 91 | 0 | 0 | (17) | 436 |
| (866) | 0 | 0 | (4) | 15 | 0 | 0 | (24) | 417 |
| (1,810) | 0 | 0 | 36 | 197 | 0 | 0 | (73) | 1,567 |
| (431) | 0 | 0 | 20 | 68 | (1) | 0 | (17) | 595 |
| 0 | 1,766 | (2,446) | 230 | (53) | 0 | 0 | (164) | 5,217 |
| 0 | 279 | (663) | 8 | 249 | 0 | 0 | (39) | 1,574 |
| 0 | 207 | (538) | 184 | 330 | 0 | 0 | (66) | 1,240 |
| 0 | 627 | (631) | 38 | (461) | 0 | 0 | (19) | 1,138 |
| (2,656) | 0 | (65) | 8 | 83 | 0 | 0 | (94) | 2,829 |
| (10,130) | 1,766 | (2,511) | 423 | 563 | (1) | 0 | (485) | 13,710 |
| (82) | 0 | 0 | 0 | 9 | 0 | 0 | (30) | 2 |
| (3,220) | 0 | 0 | 0 | (3) | 0 | 791 | (134) | 5,369 |
| (365) | 0 | 0 | 0 | 1 | 0 | 0 | (43) | 1,600 |
| (3,585) | 0 | 0 | 0 | (2) | 0 | 791 | (177) | 6,969 |
| (1,673) | 6,767 | (2,920) | 0 | (21) | 0 | 0 | (333) | 7,998 |
| (1,280) | 3,541 | (2,171) | 1 | (85) | 0 | 0 | (192) | 5,309 |
| (207) | 651 | (650) | 0 | (48) | 0 | 0 | (34) | 1,322 |
| 0 | 0 | 0 | 0 | 0 | 0 | (12) | (1) | 42 |
| (4,213) | 1,034 | (1,148) | 5 | 199 | 0 | 0 | (217) | 6,159 |
| (3,964) | 1,034 | (1,147) | 5 | 348 | 0 | 0 | (201) | 5,615 |
| **(19,683)** | **9,929** | **(6,732)** | **428** | **752** | **(1)** | **779** | **(1,252)** | **35,084** |
| | | | | | | | | |
| 0 | 51 | (3) | 0 | (13) | 0 | 0 | (5) | 55 |
| 0 | 119 | 0 | 0 | 0 | 0 | 0 | (5) | 114 |
| (197) | 1,561 | (2,556) | 235 | 1,302 | 0 | 0 | (169) | 5,564 |
| 0 | 107 | (508) | 10 | 254 | 0 | 0 | (32) | 1,129 |
| 0 | 15 | (662) | (16) | (21) | 0 | 0 | (18) | 938 |
| 0 | 632 | (380) | 210 | 831 | 0 | 0 | (84) | 1,896 |
| 0 | 655 | (856) | 39 | 186 | 0 | 0 | (24) | 1,230 |
| 0 | 318 | (216) | 0 | 3 | 0 | 0 | (8) | 165 |
| 0 | 5,006 | (5,330) | 25 | 321 | 0 | (1) | (286) | 9,780 |
| 0 | 3,602 | (2,534) | (18) | (36) | 0 | (1) | (212) | 6,217 |
| 0 | 818 | (2,128) | 24 | 151 | 0 | 0 | (30) | 2,552 |
| (393) | 10 | (86) | (17) | 70 | 26 | 217 | (105) | 2,861 |
| (308) | 0 | 0 | 0 | 72 | 0 | 0 | (29) | 1,143 |
| **(590)** | **7,065** | **(8,191)** | **243** | **1,683** | **26** | **216** | **(578)** | **18,539** |
| **(19,093)** | **2,864** | **1,459** | **185** | **(931)** | **(27)** | **563** | **(674)** | **16,545** |

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

| 2012 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,204 | 0 | 0 | 0 |
| Securities received as collateral | 193 | 0 | (188) | 0 |
| Debt | 10,028 | 2,312 | (5,035) | 7,479 |
| of which corporates | 5,076 | 1,113 | (3,609) | 5,210 |
| of which RMBS | 1,786 | 831 | (958) | 937 |
| of which CMBS | 1,517 | 188 | (262) | 664 |
| of which CDO | 727 | 158 | (121) | 483 |
| Equity | 467 | 419 | (100) | 377 |
| Derivatives | 9,587 | 1,465 | (2,175) | 0 |
| of which interest rate products | 2,547 | 168 | (686) | 0 |
| of which equity/index-related products | 2,732 | 681 | (844) | 0 |
| of which credit derivatives | 2,171 | 592 | (544) | 0 |
| Other | 2,196 | 179 | (366) | 2,842 |
| Trading assets | 22,278 | 4,375 | (7,676) | 10,698 |
| Investment securities | 102 | 0 | 0 | 94 |
| Equity | 7,076 | 4 | (61) | 880 |
| Life finance instruments | 1,969 | 0 | 0 | 102 |
| Other investments | 9,045 | 4 | (61) | 982 |
| Loans | 6,842 | 605 | (642) | 509 |
| of which commercial and industrial loans | 4,559 | 537 | (391) | 275 |
| of which financial institutions | 2,179 | 64 | (248) | 218 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 11 |
| Other assets | 7,469 | 2,509 | (2,949) | 3,007 |
| of which loans held-for-sale | 6,901 | 2,471 | (2,948) | 2,801 |
| **Total assets at fair value** | **47,203** | **7,493** | **(11,516)** | **15,301** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 0 | 0 | 0 | 0 |
| Obligation to return securities received as collateral | 193 | 0 | (188) | 0 |
| Trading liabilities | 7,343 | 1,294 | (1,783) | 94 |
| of which interest rate derivatives | 1,588 | 230 | (754) | 0 |
| of which foreign exchange derivatives | 2,836 | 3 | (178) | 0 |
| of which equity/index-related derivatives | 1,022 | 132 | (262) | 0 |
| of which credit derivatives | 1,520 | 700 | (571) | 0 |
| Short-term borrowings | 236 | 23 | (96) | 0 |
| Long-term debt | 12,715 | 2,616 | (4,044) | 0 |
| of which structured notes over two years | 7,576 | 789 | (1,668) | 0 |
| of which non-recourse liabilities | 3,585 | 1,701 | (2,225) | 0 |
| Other liabilities | 3,891 | 246 | (315) | 321 |
| of which failed sales | 1,909 | 136 | (47) | 302 |
| **Total liabilities at fair value** | **24,378** | **4,179** | **(6,426)** | **415** |
| **Net assets/(liabilities) at fair value** | **22,825** | **3,314** | **(5,090)** | **14,886** |

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

| | Sales | Issuances | Settlements | Trading revenues: On transfers in / out [1] | Trading revenues: On all other | Other revenues: On transfers in / out [1] | Other revenues: On all other | Foreign currency translation impact | **Balance at end of period** |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | 0 | 0 | (1,174) | 0 | (28) | 0 | 0 | (2) | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| | (8,826) | 0 | 0 | 72 | 129 | (4) | 0 | (267) | 5,888 |
| | (4,745) | 0 | 0 | 49 | 278 | (4) | 0 | (176) | 3,192 |
| | (1,924) | 0 | 0 | 18 | 60 | 0 | 0 | (26) | 724 |
| | (809) | 0 | 0 | (4) | (228) | 0 | 0 | (43) | 1,023 |
| | (851) | 0 | 0 | (4) | 67 | 0 | 0 | (12) | 447 |
| | (611) | 0 | 0 | 0 | (63) | 0 | 0 | (4) | 485 |
| | 0 | 1,007 | (3,262) | 60 | 163 | 0 | 0 | (195) | 6,650 |
| | 0 | 303 | (976) | 47 | 515 | 0 | 0 | (59) | 1,859 |
| | 0 | 346 | (844) | (31) | (56) | 0 | 0 | (64) | 1,920 |
| | 0 | 161 | (914) | 43 | (179) | 0 | 0 | (36) | 1,294 |
| | (2,290) | 0 | 0 | 2 | (3) | 0 | 0 | (74) | 2,486 |
| | (11,727) | 1,007 | (3,262) | 134 | 226 | (4) | 0 | (540) | 15,509 |
| | (17) | 0 | 0 | 0 | 0 | 0 | 0 | (9) | 170 |
| | (1,918) | 0 | 0 | 0 | 2 | 0 | 567 | (184) | 6,366 |
| | (274) | 0 | 0 | 0 | 72 | 0 | 0 | (51) | 1,818 |
| | (2,192) | 0 | 0 | 0 | 74 | 0 | 567 | (235) | 8,184 |
| | (1,286) | 4,490 | (3,473) | 15 | (250) | 0 | 0 | (191) | 6,619 |
| | (469) | 3,084 | (2,773) | 15 | 76 | 0 | 0 | (135) | 4,778 |
| | (745) | 1,078 | (672) | (1) | (293) | 0 | 0 | (50) | 1,530 |
| | (16) | 0 | 0 | 0 | 0 | 0 | (20) | (2) | 43 |
| | (3,356) | 298 | (2,319) | 128 | 580 | 0 | 0 | (203) | 5,164 |
| | (3,182) | 298 | (2,319) | 127 | 486 | 0 | 0 | (172) | 4,463 |
| | **(18,594)** | **5,795** | **(10,228)** | **277** | **602** | **(4)** | **547** | **(1,187)** | **35,689** |
| | | | | | | | | | |
| | 0 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 25 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| | (346) | 853 | (2,599) | 151 | 505 | 0 | 0 | (156) | 5,356 |
| | 0 | 115 | (194) | 75 | 340 | 0 | 0 | (43) | 1,357 |
| | 0 | 1 | (1,037) | 24 | 48 | 0 | 0 | (49) | 1,648 |
| | 0 | 537 | (315) | (16) | (61) | 0 | 0 | (34) | 1,003 |
| | 0 | 88 | (939) | 79 | (36) | 0 | 0 | (22) | 819 |
| | 0 | 288 | (332) | (3) | 14 | 0 | 0 | (6) | 124 |
| | 0 | 4,015 | (6,043) | 182 | 989 | (4) | 0 | (328) | 10,098 |
| | 0 | 1,925 | (2,867) | 32 | 604 | (4) | 0 | (198) | 6,189 |
| | 0 | 1,473 | (2,312) | 144 | 275 | 0 | 0 | (90) | 2,551 |
| | (1,322) | 2 | (219) | (15) | 74 | 0 | 279 | (94) | 2,848 |
| | (1,260) | 0 | 0 | 0 | 153 | 0 | 0 | (33) | 1,160 |
| | **(1,668)** | **5,183** | **(9,193)** | **315** | **1,582** | **(4)** | **279** | **(589)** | **18,451** |
| | **(16,926)** | **612** | **(1,035)** | **(38)** | **(980)** | **0** | **268** | **(598)** | **17,238** |

**Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)**

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (746) | 536 | **(210)** [1] | (1,018) | 268 | **(750)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (2,850) | 414 | **(2,436)** | (1,209) | (82) | **(1,291)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Transfers in and out of level 3

Transfers into level 3 assets during 2013 were CHF 7,429 million, primarily from loans held-for-sale and trading assets. The transfers were primarily in the corporate credit, private equity and prime services businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2013 were CHF 9,761 million, primarily in trading assets, loans held-for-sale and loans. The transfers out of level 3 assets were primarily in the Brazil trading, private equity, corporate credit, prime services, rates and equity derivatives businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 4Q13 were CHF 1,646 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit business due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 4Q13 were CHF 1,750 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the private equity and equity derivatives businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

### Qualitative disclosures of valuation techniques

#### Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever

possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of their review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

**Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions**

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. Significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

**Debt securities**

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, buyback probability, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

## Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instrument. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortization (EBITDA) multiple, discount rate and capitalization rate.

## Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, than the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Our valuation of derivatives does not include an adjustment for the cost of funding uncollateralized OTC derivatives due to a lack of clear observability in the marketplace.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include correlation, volatility, skew and buyback probability.

Generally, the interrelationship between the volatility and correlation is positively correlated.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are

valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

### Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

### Other investments

#### Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published net asset values (NAVs). Most of these investments are classified as level 3 of the fair value hierarchy, as there are restrictions imposed upon the redemption of the funds at their NAV in the near term. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not current with observed market movements, it is probable that these investments will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. Unobservable inputs may include credit spread, contingent probability and EBITDA multiple. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

#### Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

### Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available.

Accrual based Private Banking & Wealth Management loans, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

### Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

### Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility and price.

Generally, the interrelationships between volatility, skew, correlation, gap risk and credit spreads inputs are positively correlated.

### Other liabilities

#### Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, EBITDA multiple, market implied life expectancy (for life finance instruments), correlation, recovery rate, price, volatility, volatility skew, contingent probability and market implied life expectancy (for life settlement and premium finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of capitalization rate, default rate, discount rate, funding spread, loss severity, prepayment rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable inputs basis spread, mean reversion and skew would decrease the fair value. An increase in the significant unobservable input gap risk would increase the fair value.

### Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

### Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets at fair value

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,345 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,630 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,969 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,084** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

### Quantitative information about level 3 assets at fair value (continued)

| end of 4Q12 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Debt | 5,888 | | | | |
| of which corporates | 3,192 | | | | |
| of which | 754 | Option model | Correlation, in % | (87) | 97 |
| | | | Buyback probability, in % [1] | 50 | 100 |
| of which | 797 | Market comparable | Price, in % | 0 | 146 |
| of which | 1,231 | Discounted cash flow | Credit spread, in bp | 0 | 2,439 |
| of which RMBS | 724 | Discounted cash flow | Discount rate, in % | 2 | 50 |
| | | | Prepayment rate, in % | 0 | 55 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which CMBS | 1,023 | Discounted cash flow | Capitalization rate, in % | 5 | 12 |
| | | | Internal rate of return, in % | 9 | 15 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 10 |
| | | | Default rate, in % | 0 | 40 |
| | | | Loss severity, in % | 0 | 90 |
| of which CDO | 447 | | | | |
| of which | 193 | Vendor price | Price, in % | 0 | 102 |
| of which | 123 | Discounted cash flow | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 40 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which | 78 | Market comparable | Price, in % | 80 | 93 |

[1] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

## Quantitative information about level 3 assets at fair value (continued)

| end of 4Q12 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Equity | 485 | | | | |
| of which | 237 | Market comparable | EBITDA multiple | 3 | 12 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 |
| Derivatives | 6,650 | | | | |
| of which interest rate products | 1,859 | Option model | Correlation, in % | 17 | 100 |
| | | | Prepayment rate, in % | 2 | 45 |
| | | | Volatility, in % | (5) | 31 |
| | | | Credit spread, in bp | 34 | 157 |
| of which equity/index-related products | 1,920 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| of which credit derivatives | 1,294 | Discounted cash flow | Credit spread, in bp | 1 | 5,843 |
| | | | Recovery rate, in % | 0 | 75 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 30 | 97 |
| | | | Prepayment rate, in % | 0 | 40 |
| Other | 2,486 | | | | |
| of which | 1,891 | Market comparable | Price, in % | 0 | 103 |
| of which | 564 | Discounted cash flow | Life expectancy, in years | 4 | 20 |
| Trading assets | 15,509 | | | | |
| Investment securities | 170 | – | – | – | – |
| Private equity | 3,958 | – [1] | – [1] | – [1] | – [1] |
| Hedge funds | 165 | – [1] | – [1] | – [1] | – [1] |
| Other equity investments | 2,243 | | | | |
| of which private | 2,245 | | | | |
| of which | 759 | Discounted cash flow | Credit spread, in bp | 1,070 | 2,049 |
| | | | Contingent probability, in % | 50 | 50 |
| of which | 903 | Market comparable | EBITDA multiple | 2 | 13 |
| Life finance instruments | 1,818 | Discounted cash flow | Life expectancy, in years | 1 | 23 |
| Other investments | 8,184 | | | | |
| Loans | 6,619 | | | | |
| of which commercial and industrial loans | 4,778 | Discounted cash flow | Credit spread, in bp | 0 | 2,763 |
| of which financial institutions | 1,530 | Discounted cash flow | Credit spread, in bp | 0 | 888 |
| Other intangible assets (mortgage servicing rights) | 43 | – | – | – | – |
| Other assets | 5,164 | | | | |
| of which loans held-for-sale | 4,463 | | | | |
| of which | 2,031 | Vendor price | Price, in % | 0 | 103 |
| of which | 328 | Discounted cash flow | Credit spread, in bp | 20 | 1,458 |
| of which | 2,009 | Market comparable | Price, in % | 0 | 115 |
| **Total level 3 assets at fair value** | **35,689** | | | | |

[1] Disclosure not required as balances are carried at unadjusted NAV. Refer to "Fair value measurements of investments in certain entities that calculate NAV per share" for further information.

## Quantitative information about level 3 liabilities at fair value

| end of 4Q13 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,861 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,539** | | | | | |

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Management's best estimate of the speed at which interest rates will revert to the long-term average.
3 Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
4 Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

### Quantitative information about level 3 liabilities at fair value (continued)

| end of 4Q12 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Customer deposits | 25 | – | – | – | – |
| Trading liabilities | 5,356 | | | | |
| of which interest rate derivatives | 1,357 | Option model | Basis spread, in bp | (28) | 54 |
| | | | Correlation, in % | 17 | 100 |
| | | | Mean reversion, in % [1] | (33) | 5 |
| | | | Prepayment rate, in % | 4 | 45 |
| of which foreign exchange derivatives | 1,648 | Option model | Correlation, in % | (10) | 70 |
| | | | Prepayment rate, in % | 4 | 22 |
| of which equity/index-related derivatives | 1,003 | Option model | Correlation, in % | (87) | 97 |
| | | | Skew, in % | 56 | 128 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 4 |
| of which credit derivatives | 819 | Discounted cash flow | Credit spread, in bp | 0 | 5,843 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Recovery rate, in % | 0 | 77 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 0 | 47 |
| | | | Prepayment rate, in % | 0 | 40 |
| Short-term borrowings | 124 | – | – | – | – |
| Long-term debt | 10,098 | | | | |
| of which structured notes over two years | 6,189 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 12 |
| of which non-recourse liabilities | 2,551 | | | | |
| of which | 2,255 | Vendor price | Price, in % | 0 | 103 |
| of which | 230 | Market comparable | Price, in % | 0 | 87 |
| Other liabilities | 2,848 | | | | |
| of which failed sales | 1,160 | | | | |
| of which | 646 | Market comparable | Price, in % | 0 | 100 |
| of which | 290 | Discounted cash flow | Credit spread, in bp | 0 | 1,532 |
| **Total level 3 liabilities at fair value** | **18,451** | | | | |

1 Management's best estimate of the speed at which interest rates will revert to the long-term average.
2 Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
3 Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

#### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of each insured.

**Fair value measurements of investments in certain entities that calculate NAV per share**

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which are generally up to ten years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

## Fair value, unfunded commitments and term of redemption conditions

| | | | | 4Q13 | | | | 4Q12 |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 1 | 18 | 19 | 0 | 127 | 38 | 165 | 0 |
| Equity funds | 28 | 3,096 [1] | 3,124 | 0 | 52 | 3,810 [2] | 3,862 | 0 |
| Equity funds sold short | 0 | (17) | (17) | 0 | 0 | (111) | (111) | 0 |
| Total funds held in trading assets and liabilities | 29 | 3,097 | 3,126 | 0 | 179 | 3,737 | 3,916 | 0 |
| Debt funds | 320 | 183 | 503 | 6 | 69 | 364 | 433 | 157 |
| Equity funds | 0 | 25 | 25 | 0 | 3 | 43 | 46 | 0 |
| Others | 0 | 153 | 153 | 31 | 3 | 153 | 156 | 46 |
| Hedge funds | 320 | 361 [3] | 681 | 37 | 75 | 560 [4] | 635 | 203 |
| Debt funds | 53 | 0 | 53 | 2 | 97 | 0 | 97 | 17 |
| Equity funds | 2,236 | 0 | 2,236 | 464 | 2,633 | 0 | 2,633 | 724 |
| Real estate funds | 350 | 0 | 350 | 110 | 382 | 0 | 382 | 131 |
| Others | 706 | 0 | 706 | 250 | 846 | 0 | 846 | 198 |
| Private equities | 3,345 | 0 | 3,345 | 826 | 3,958 | 0 | 3,958 | 1,070 |
| Equity method investments | 349 | 0 | 349 | 0 | 385 | 0 | 385 | 0 |
| Total funds held in other investments | 4,014 | 361 | 4,375 | 863 | 4,418 | 560 | 4,978 | 1,273 |
| **Total fair value** | **4,043** [5] | **3,458** [6] | **7,501** | **863** [7] | **4,597** [5] | **4,297** [6] | **8,894** | **1,273** [7] |

[1] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 1,819 million and CHF 1,958 million attributable to noncontrolling interests in 4Q13 and 4Q12, respectively.
[6] Includes CHF 107 million and CHF 107 million attributable to noncontrolling interests in 4Q13 and 4Q12, respectively.
[7] Includes CHF 405 million and CHF 418 million attributable to noncontrolling interests in 4Q13 and 4Q12, respectively.

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use.

#### Nonrecurring fair value changes

| end of | 4Q13 | 4Q12 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.5** |
| of which level 3 | 0.3 | 0.5 |

## FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in Investment Banking and Private Banking & Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

▸ Refer to "Note 33 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012 for further information on the Group's election of the fair value option for certain of its financial statement captions.

#### Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

| | | | 4Q13 | | | 4Q12 |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 956 | 3,262 | (2,306) | 920 | 3,810 | (2,890) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 311 | 307 | 4 | 627 | 615 | 12 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 96,587 | 96,217 | 370 | 113,664 | 113,196 | 468 |
| Loans | 19,457 | 19,653 | (196) | 20,000 | 20,278 | (278) |
| Other assets [1] | 20,749 | 25,756 | (5,007) | 22,060 | 29,787 | (7,727) |
| Due to banks and customer deposits | (690) | (680) | (10) | (531) | (493) | (38) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (76,104) | (76,012) | (92) | (108,784) | (108,701) | (83) |
| Short-term borrowings | (6,053) | (5,896) | (157) | (4,513) | (4,339) | (174) |
| Long-term debt | (63,369) | (62,991) | (378) | (65,384) | (66,998) | 1,614 |
| Other liabilities | (1,780) | (3,285) | 1,505 | (3,683) | (6,186) | 2,503 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2013 Net gains/ (losses) | 2012 Net gains/ (losses) |
|---|---|---|
| **Financial instruments (CHF million)** | | |
| Cash and due from banks | 0 | (13) [2] |
| of which related to credit risk | 0 | (13) |
| Interest-bearing deposits with banks | 10 [1] | 12 [1] |
| of which related to credit risk | (3) | 3 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,143 [1] | 1,183 [1] |
| Other trading assets | 0 | 10 [2] |
| Other investments | 126 [3] | 144 [3] |
| of which related to credit risk | 11 | 34 |
| Loans | 1,470 [1] | 925 [1] |
| of which related to credit risk | 26 | 318 |
| Other assets | 2,058 [1] | 2,641 [1] |
| of which related to credit risk | 604 | 355 |
| Due to banks and customer deposits | 0 | (22) [1] |
| of which related to credit risk | (5) | 8 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (67) [1] | (114) [1] |
| Short-term borrowings | (256) [2] | (350) [2] |
| Long-term debt | (2,759) [2] | (7,905) [2] |
| of which related to credit risk [4] | (384) | (2,552) |
| Other liabilities | 441 [2] | 826 [2] |
| of which related to credit risk | 112 | 912 |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (268) million and CHF (111) million in 2013, respectively, and CHF (1,663) million and CHF (931) million in 2012, respectively.

## FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

### Carrying value and fair value of financial instruments not carried at fair value

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| end of | | Level 1 | Level 2 | Level 3 | Total |
| **4Q13 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,435 | 0 | 62,891 | 544 | 63,435 |
| Loans | 223,902 | 0 | 225,641 | 3,940 | 229,581 |
| Other financial assets [1] | 142,656 | 72,134 | 69,310 | 1,568 | 143,012 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 351,476 | 212,418 | 138,980 | 9 | 351,407 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 66,673 | 0 | 64,043 | 3,774 | 67,817 |
| Other financial liabilities [2] | 96,611 | 1,129 | 94,414 | 1,085 | 96,628 |
| **4Q12 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions | 69,791 | 0 | 69,764 | 27 | 69,791 |
| Loans | 218,281 | 0 | 221,030 | 4,482 | 225,512 |
| Other financial assets [1] | 132,147 | 63,900 | 66,798 | 1,772 | 132,470 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 331,270 | 200,838 | 130,313 | 9 | 331,160 |
| Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions | 23,937 | 0 | 23,939 | 0 | 23,939 |
| Short-term borrowings | 14,128 | 0 | 14,131 | 0 | 14,131 |
| Long-term debt | 82,750 | 0 | 79,846 | 4,546 | 84,392 |
| Other financial liabilities [2] | 89,361 | 0 | 88,121 | 1,171 | 89,292 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## Note 28 Assets pledged and collateral

The Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

### Assets pledged

| end of | 4Q13 | 4Q12 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 142,952 | 151,419 |
| of which encumbered | 92,300 | 90,745 |

### Collateral

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Group was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 4Q13 | 4Q12 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 359,517 | 402,793 |
| of which sold or repledged | 267,896 | 292,514 |

## Note 29 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Group's material proceedings, related provisions and estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions are described in *Note 37 – Litigation in V – Consolidated financial statements – Credit Suisse Group in the Credit Suisse Annual Report 2012* and updated in subsequent quarterly reports (including below). Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues litigation provisions (including estimated fees and expenses of external lawyers and other service providers) and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings, the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed in Note 37 referenced above and updated in quarterly reports and below for which the Group believes an estimate is possible is zero to CHF 2.4 billion.

In 4Q13, the Group recorded net litigation provisions of CHF 1,469 million. After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

### Mortgage-related matters

The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance.

On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey, filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County, against Credit Suisse Securities (USA) LLC (CSS LLC) and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, seeks an unspecified amount of damages, and is at an early procedural point.

#### Class actions

On January 27, 2014, the US District Court for the Southern District of New York entered a final judgment and order of dismissal with prejudice, discontinuing the Tsereteli v. Residential Asset Securitization Trust 2006-A8 class action, as a result of a settlement in the amount of USD 11 million.

### Individual investor actions

On October 29, 2013, following a settlement, CSS LLC and its affiliates and employees filed a stipulation of discontinuance with prejudice to discontinue claims against CSS LLC and its affiliates and employees brought by Stichting Pensioenfonds ABP in the Supreme Court for the State of New York, New York County (SCNY). On November 18, 2013, as a result of settlement, the US District Court for the Southern District of New York entered a stipulation of voluntary dismissal with prejudice, discontinuing Federal Housing Finance Agency (FHFA) v. JPMorgan Chase & Co., one of the FHFA's five actions against CSS LLC and its affiliates and employees, and other financial institutions, relating to approximately USD 870 million of RMBS at issue against the Credit Suisse defendants in that case. On November 26, 2013, the Indiana state court presiding in the action brought by the Federal Home Loan Bank of Indianapolis dismissed with prejudice claims pertaining to certain defendants, including one of the RMBS offerings on which CSS LLC and certain of its affiliates were sued, reducing the RMBS at issue relating to claims against CSS LLC and its affiliates in that case by approximately USD 100 million. On December 5, 2013, the Washington state court presiding in the action brought by the Federal Home Loan Bank of Chicago dismissed with prejudice one of the actions against CSS LLC and other financial institutions, reducing the RMBS at issue relating to claims against CSS LLC by USD 20 million. On December 26, 2013, Commerzbank AG London Branch filed an action against CSS LLC and certain of its affiliates and other financial institutions in the SCNY, relating to approximately USD 148 million of the RMBS at issue (approximately 6% of the USD 2.3 billion at issue against all defendants in the operative pleading). On January 6, 2014, following a settlement, CSS LLC and its affiliates filed a stipulation of discontinuance with prejudice to discontinue claims against CSS LLC and its affiliates relating to approximately USD 35 million of RMBS at issue brought by Sealink Funding Limited in the SCNY. On January 24, 2014, the SCNY dismissed with prejudice certain claims in the action against CSS LLC and its affiliates brought by Allstate Insurance Company, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 232 million to approximately USD 187 million. On March 21, 2014, CSS LLC and certain affiliates and employees entered into an agreement with the FHFA to settle all claims in two of three remaining actions filed by the FHFA in the SDNY for USD 885 million, which amount was partially covered by existing provisions. The actions settled on March 21, 2014 related to approximately USD 16.6 billion of RMBS at issue against the Credit Suisse defendants.

### Repurchase litigations

On January 3, 2014, the SCNY dismissed with prejudice the consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ Mortgage Capital, Inc., in which the plaintiffs had alleged damages of not less than USD 319 million.

### Monoline insurer disputes

On November 15, 2013, CIFG Assurance North America, Inc. (CIFG) filed an action against CSS LLC in the SCNY, relating to financial guaranty insurance issued by CIFG on a credit default swap guaranteeing payment on approximately USD 396 million of notes of a collateralized debt obligation. CIFG alleges material misrepresentation in the inducement of an insurance contract and fraud relating to alleged affirmative misrepresentations and material omissions made to induce CIFG to guarantee the securities.

## Tax and securities law matters

Credit Suisse has been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), the US Securities and Exchange Commission (SEC) and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and securities laws. In particular, the DOJ is investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC has investigated whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and two former employees have pleaded guilty (in one case, as to conduct while employed at other financial institutions that did not involve Credit Suisse and in the other case as to conduct while employed at a former Credit Suisse subsidiary prior to 2006 and other financial institutions after 2006). Credit Suisse received a grand jury target letter from the DOJ. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions. We have been conducting an internal investigation and are continuing to cooperate with the authorities both in the US and Switzerland to resolve this matter in a responsible manner that complies with our legal obligations. Our provision of Swiss-based information to these US authorities has been in accordance with permission granted by Swiss authorities. The Group has established a loss contingency provision of CHF 895 million with respect to the tax and securities law matters described in this subsection. The Group had previously disclosed a provision of CHF 470 million with respect to these matters, including CHF 175 million in connection with the settlement with the SEC described in the following paragraph.

On February 21, 2014, Credit Suisse AG reached a settlement with the SEC that resolves the SEC's investigation regarding registration as an investment advisor and broker-dealer. In a settled administrative and cease-and-desist proceeding, the SEC charged Credit Suisse AG with violating Section 15(a) of the US Securities Exchange Act of 1934 (Exchange Act) and Section 203(a) of the US Investment Advisers Act of 1940 (Advisers Act). Specifically, the SEC's Order finds that from at least 2002 through its exit from the US cross-border securities business which Credit Suisse AG began in 2008, Credit Suisse AG, through actions of certain of its relationship managers, violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to US clients at a time when Credit Suisse AG was not registered with the SEC as a broker-dealer or investment advisor. As part of the settlement of the investigation, Credit Suisse AG agreed, among other things, to cease-and-desist from committing or causing any future violations of section 15(a) of the Exchange Act or Section 203(a) of the Advisers Act and to pay approximately USD 196 million, inclusive of disgorgement of approximately USD 82 million, prejudgment interest of approximately USD 64 million, and a civil money penalty in the amount of USD 50 million. Credit Suisse AG also agreed to the appointment of an independent consultant who will review its cross-border compliance policies with respect to the US securities laws and will verify that Credit Suisse AG has exited the US cross-border business.

## Note 30 Subsidiary guarantee information

Certain wholly-owned finance subsidiaries of the Group, including Credit Suisse Group (Guernsey) I Limited and Credit Suisse Group (Guernsey) III Limited, each of which is a Guernsey incorporated non-cellular company limited by shares, may issue contingent convertible securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law, applicable to some of the Group's subsidiaries that limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

In 4Q13, as part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and Fed regulation on establishing Intermediate Holding Companies in the US for non-US banks, several existing legal entities were re-parented as subsidiaries of Credit Suisse (USA), Inc. In the tables below, prior periods have been restated to conform to the current presentation to reflect the impact of these transactions.

## Condensed consolidating statements of operations

| in 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | **Bank** | Group parent company | Other Group subsidiaries[1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,503 | 2,440 | 3,943 | 20 | 110 | 4,073 |
| Interest expense | (927) | (1,380) | (2,307) | (23) | 4 | (2,326) |
| Net interest income | 576 | 1,060 | 1,636 | (3) | 114 | 1,747 |
| Commissions and fees | 988 | 2,418 | 3,406 | 2 | 17 | 3,425 |
| Trading revenues | 149 | 167 | 316 | (23) | 2 | 295 |
| Other revenues | 464 | 202 | 666 | (465) [2] | 471 | 672 |
| **Net revenues** | **2,177** | **3,847** | **6,024** | **(489)** | **604** | **6,139** |
| **Provision for credit losses** | **2** | **33** | **35** | **0** | **18** | **53** |
| Compensation and benefits | 854 | 1,932 | 2,786 | 12 | 9 | 2,807 |
| General and administrative expenses | 1,257 | 1,970 | 3,227 | (31) | 27 | 3,223 |
| Commission expenses | 51 | 335 | 386 | 1 | 2 | 389 |
| Total other operating expenses | 1,308 | 2,305 | 3,613 | (30) | 29 | 3,612 |
| **Total operating expenses** | **2,162** | **4,237** | **6,399** | **(18)** | **38** | **6,419** |
| **Income/(loss) from continuing operations before taxes** | **13** | **(423)** | **(410)** | **(471)** | **548** | **(333)** |
| Income tax expense/(benefit) | (82) | (3) | (85) | 5 | 17 | (63) |
| **Income/(loss) from continuing operations** | **95** | **(420)** | **(325)** | **(476)** | **531** | **(270)** |
| Income from discontinued operations, net of tax | (3) | 1 | (2) | 0 | 0 | (2) |
| **Net income/(loss)** | **92** | **(419)** | **(327)** | **(476)** | **531** | **(272)** |
| Net income/(loss) attributable to noncontrolling interests | 180 | (162) | 18 | 0 | 186 | 204 |
| **Net income/(loss) attributable to shareholders** | **(88)** | **(257)** | **(345)** | **(476)** | **345** | **(476)** |
| of which from continuing operations | (85) | (258) | (343) | (476) | 345 | (474) |
| of which from discontinued operations | (3) | 1 | (2) | 0 | 0 | (2) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | **Bank** | Group parent company | Other Group subsidiaries[1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 92 | (419) | (327) | (476) | 531 | (272) |
| Gains/(losses) on cash flow hedges | 0 | 5 | 5 | 6 | 0 | 11 |
| Foreign currency translation | (370) | (1,409) | (1,779) | 0 | 1,201 | (578) |
| Unrealized gains/(losses) on securities | (4) | (3) | (7) | 0 | (4) | (11) |
| Actuarial gains/(losses) | 114 | (192) | (78) | 0 | 914 | 836 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (15) | (15) |
| Other comprehensive income/(loss), net of tax | (260) | (1,599) | (1,859) | 6 | 2,096 | 243 |
| **Comprehensive income/(loss)** | **(168)** | **(2,018)** | **(2,186)** | **(470)** | **2,627** | **(29)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 123 | (32) | 91 | 0 | 52 | 143 |
| **Comprehensive income/(loss) attributable to shareholders** | **(291)** | **(1,986)** | **(2,277)** | **(470)** | **2,575** | **(172)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations

| in 4Q12 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 1,855 | 2,855 | 4,710 | 13 | 117 | 4,840 |
| Interest expense | (1,165) | (1,649) | (2,814) | (13) | (75) | (2,902) |
| Net interest income | 690 | 1,206 | 1,896 | 0 | 42 | 1,938 |
| Commissions and fees | 1,113 | 2,281 | 3,394 | 1 | 60 | 3,455 |
| Trading revenues | 171 | (308) | (137) | 0 | (10) | (147) |
| Other revenues | 130 | 309 | 439 | 242 [2] | (221) | 460 |
| **Net revenues** | **2,104** | **3,488** | **5,592** | **243** | **(129)** | **5,706** |
| **Provision for credit losses** | **(1)** | **38** | **37** | **0** | **33** | **70** |
| Compensation and benefits | 785 | 1,855 | 2,640 | 5 | 4 | 2,649 |
| General and administrative expenses | 760 | 1,326 | 2,086 | (24) | 44 | 2,106 |
| Commission expenses | 76 | 351 | 427 | 0 | 6 | 433 |
| Total other operating expenses | 836 | 1,677 | 2,513 | (24) | 50 | 2,539 |
| **Total operating expenses** | **1,621** | **3,532** | **5,153** | **(19)** | **54** | **5,188** |
| **Income/(loss) from continuing operations before taxes** | **484** | **(82)** | **402** | **262** | **(216)** | **448** |
| Income tax expense | 175 | (90) | 85 | (1) | 1 | 85 |
| **Income/(loss) from continuing operations** | **309** | **8** | **317** | **263** | **(217)** | **363** |
| Income from discontinued operations, net of tax | 6 | (37) | (31) | 0 | 0 | (31) |
| **Net income/(loss)** | **315** | **(29)** | **286** | **263** | **(217)** | **332** |
| Net income/(loss) attributable to noncontrolling interests | 30 | (235) | (205) | 0 | 274 | 69 |
| **Net income/(loss) attributable to shareholders** | **285** | **206** | **491** | **263** | **(491)** | **263** |
| of which from continuing operations | 279 | 243 | 522 | 263 | (491) | 294 |
| of which from discontinued operations | 6 | (37) | (31) | 0 | 0 | (31) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 4Q12 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 315 | (29) | 286 | 263 | (217) | 332 |
| Gains/(losses) on cash flow hedges | 0 | 0 | 0 | 12 | 0 | 12 |
| Foreign currency translation | (587) | (305) | (892) | 0 | 6 | (886) |
| Unrealized gains/(losses) on securities | 0 | (11) | (11) | 0 | 6 | (5) |
| Actuarial gains/(losses) | (15) | 26 | 11 | 0 | (243) | (232) |
| Net prior service credit/(cost) | (1) | 1 | 0 | 0 | 300 | 300 |
| Other comprehensive income/(loss), net of tax | (603) | (289) | (892) | 12 | 69 | (811) |
| **Comprehensive income/(loss)** | **(288)** | **(318)** | **(606)** | **275** | **(148)** | **(479)** |
| Comprehensive income/(loss) attributable to noncontrolling interests | (76) | (339) | (415) | 0 | 378 | (37) |
| **Comprehensive income/(loss) attributable to shareholders** | **(212)** | **21** | **(191)** | **275** | **(526)** | **(442)** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 6,553 | 12,468 | 19,021 | 62 | 473 | 19,556 |
| Interest expense | (3,899) | (7,407) | (11,306) | (60) | (75) | (11,441) |
| Net interest income | 2,654 | 5,061 | 7,715 | 2 | 398 | 8,115 |
| Commissions and fees | 3,756 | 9,302 | 13,058 | 4 | 164 | 13,226 |
| Trading revenues | (507) | 3,271 | 2,764 | (23) | (2) | 2,739 |
| Other revenues | 1,361 | 432 | 1,793 | 2,288[2] | (2,305) | 1,776 |
| **Net revenues** | **7,264** | **18,066** | **25,330** | **2,271** | **(1,745)** | **25,856** |
| **Provision for credit losses** | **4** | **89** | **93** | **0** | **74** | **167** |
| Compensation and benefits | 3,380 | 7,807 | 11,187 | 59 | 10 | 11,256 |
| General and administrative expenses | 2,843 | 5,811 | 8,654 | (135) | 80 | 8,599 |
| Commission expenses | 227 | 1,499 | 1,726 | 1 | 11 | 1,738 |
| Total other operating expenses | 3,070 | 7,310 | 10,380 | (134) | 91 | 10,337 |
| **Total operating expenses** | **6,450** | **15,117** | **21,567** | **(75)** | **101** | **21,593** |
| **Income/(loss) from continuing operations before taxes** | **810** | **2,860** | **3,670** | **2,346** | **(1,920)** | **4,096** |
| Income tax expense | 14 | 1,163 | 1,177 | 20 | 79 | 1,276 |
| **Income/(loss) from continuing operations** | **796** | **1,697** | **2,493** | **2,326** | **(1,999)** | **2,820** |
| Income from discontinued operations, net of tax | 66 | 79 | 145 | 0 | 0 | 145 |
| **Net income/(loss)** | **862** | **1,776** | **2,638** | **2,326** | **(1,999)** | **2,965** |
| Net income/(loss) attributable to noncontrolling interests | 575 | 285 | 860 | 0 | (221) | 639 |
| **Net income/(loss) attributable to shareholders** | **287** | **1,491** | **1,778** | **2,326** | **(1,778)** | **2,326** |
| of which from continuing operations | 221 | 1,412 | 1,633 | 2,326 | (1,778) | 2,181 |
| of which from discontinued operations | 66 | 79 | 145 | 0 | 0 | 145 |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 862 | 1,776 | 2,638 | 2,326 | (1,999) | 2,965 |
| Gains/(losses) on cash flow hedges | 0 | 2 | 2 | 16 | 0 | 18 |
| Foreign currency translation | (648) | (1,567) | (2,215) | 0 | 1,194 | (1,021) |
| Unrealized gains/(losses) on securities | (2) | (16) | (18) | 0 | (14) | (32) |
| Actuarial gains/(losses) | 138 | (181) | (43) | 0 | 1,087 | 1,044 |
| Net prior service credit/(cost) | 0 | 0 | 0 | 0 | (95) | (95) |
| Other comprehensive income/(loss), net of tax | (512) | (1,762) | (2,274) | 16 | 2,172 | (86) |
| **Comprehensive income/(loss)** | **350** | **14** | **364** | **2,342** | **173** | **2,879** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 471 | 353 | 824 | 0 | (299) | 525 |
| **Comprehensive income/(loss) attributable to shareholders** | **(121)** | **(339)** | **(460)** | **2,342** | **472** | **2,354** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Condensed consolidating statements of operations (CHF million)** | | | | | | |
| Interest and dividend income | 7,584 | 13,960 | 21,544 | 81 | 465 | 22,090 |
| Interest expense | (4,472) | (10,262) | (14,734) | (79) | (134) | (14,947) |
| Net interest income | 3,112 | 3,698 | 6,810 | 2 | 331 | 7,143 |
| Commissions and fees | 3,940 | 8,609 | 12,549 | (12) | 187 | 12,724 |
| Trading revenues | 1,638 | (309) | 1,329 | 1 | (134) | 1,196 |
| Other revenues | 861 | 1,629 | 2,490 | 1,319 [2] | (1,261) | 2,548 |
| **Net revenues** | **9,551** | **13,627** | **23,178** | **1,310** | **(877)** | **23,611** |
| **Provision for credit losses** | **(5)** | **93** | **88** | **0** | **82** | **170** |
| Compensation and benefits | 3,601 | 8,618 | 12,219 | 56 | 28 | 12,303 |
| General and administrative expenses | 2,130 | 5,074 | 7,204 | (101) | 143 | 7,246 |
| Commission expenses | 252 | 1,433 | 1,685 | 1 | 16 | 1,702 |
| Total other operating expenses | 2,382 | 6,507 | 8,889 | (100) | 159 | 8,948 |
| **Total operating expenses** | **5,983** | **15,125** | **21,108** | **(44)** | **187** | **21,251** |
| **Income/(loss) from continuing operations before taxes** | **3,573** | **(1,591)** | **1,982** | **1,354** | **(1,146)** | **2,190** |
| Income tax expense/(benefit) | 1,333 | (886) | 447 | 5 | 13 | 465 |
| **Income/(loss) from continuing operations** | **2,240** | **(705)** | **1,535** | **1,349** | **(1,159)** | **1,725** |
| Income from discontinued operations, net of tax | 17 | (57) | (40) | 0 | 0 | (40) |
| **Net income/(loss)** | **2,257** | **(762)** | **1,495** | **1,349** | **(1,159)** | **1,685** |
| Net income/(loss) attributable to noncontrolling interests | 281 | (881) | (600) | 0 | 936 | 336 |
| **Net income/(loss) attributable to shareholders** | **1,976** | **119** | **2,095** | **1,349** | **(2,095)** | **1,349** |
| of which from continuing operations | 1,959 | 176 | 2,135 | 1,349 | (2,095) | 1,389 |
| of which from discontinued operations | 17 | (57) | (40) | 0 | 0 | (40) |

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Comprehensive income (CHF million)** | | | | | | |
| Net income/(loss) | 2,257 | (762) | 1,495 | 1,349 | (1,159) | 1,685 |
| Gains/(losses) on cash flow hedges | 0 | 7 | 7 | 30 | 0 | 37 |
| Foreign currency translation | (575) | (658) | (1,233) | 1 | 118 | (1,114) |
| Unrealized gains/(losses) on securities | 2 | (45) | (43) | 0 | 28 | (15) |
| Actuarial gains/(losses) | 20 | 38 | 58 | 0 | (108) | (50) |
| Net prior service credit/(cost) | (2) | 1 | (1) | 0 | 249 | 248 |
| Other comprehensive income/(loss), net of tax | (555) | (657) | (1,212) | 31 | 287 | (894) |
| **Comprehensive income/(loss)** | **1,702** | **(1,419)** | **283** | **1,380** | **(872)** | **791** |
| Comprehensive income/(loss) attributable to noncontrolling interests | 186 | (997) | (811) | 0 | 1,022 | 211 |
| **Comprehensive income/(loss) attributable to shareholders** | **1,516** | **(422)** | **1,094** | **1,380** | **(1,894)** | **580** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 4Q13 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,787 | 63,290 | 68,077 | 795 | (180) | 68,692 |
| Interest-bearing deposits with banks | 81 | 3,304 | 3,385 | 0 | (1,870) | 1,515 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 127,153 | 32,860 | 160,013 | 0 | 9 | 160,022 |
| Securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading assets | 73,580 | 156,156 | 229,736 | 0 | (323) | 229,413 |
| Investment securities | 2 | 1,625 | 1,627 | 1,481 | (121) | 2,987 |
| Other investments | 5,116 | 5,091 | 10,207 | 42,570 | (42,448) | 10,329 |
| Net loans | 19,955 | 211,202 | 231,157 | 3,185 | 12,712 | 247,054 |
| Premises and equipment | 891 | 4,004 | 4,895 | 0 | 196 | 5,091 |
| Goodwill | 658 | 6,463 | 7,121 | 0 | 878 | 7,999 |
| Other intangible assets | 78 | 132 | 210 | 0 | 0 | 210 |
| Brokerage receivables | 25,667 | 26,377 | 52,044 | 0 | 1 | 52,045 |
| Other assets | 18,104 | 43,452 | 61,556 | 243 | 1,266 | 63,065 |
| Assets of discontinued operations held-for-sale | 11 | 1,573 | 1,584 | 0 | 0 | 1,584 |
| **Total assets** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 251 | 22,896 | 23,147 | 3,242 | (3,281) | 23,108 |
| Customer deposits | 1 | 321,850 | 321,851 | 0 | 11,238 | 333,089 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 98,600 | (4,568) | 94,032 | 0 | 0 | 94,032 |
| Obligation to return securities received as collateral | 23,479 | (679) | 22,800 | 0 | 0 | 22,800 |
| Trading liabilities | 14,304 | 62,508 | 76,812 | 0 | (177) | 76,635 |
| Short-term borrowings | 42,842 | (22,649) | 20,193 | 0 | 0 | 20,193 |
| Long-term debt | 31,300 | 95,341 | 126,641 | 2,784 | 617 | 130,042 |
| Brokerage payables | 55,749 | 17,405 | 73,154 | 0 | 0 | 73,154 |
| Other liabilities | 11,284 | 39,795 | 51,079 | 84 | 284 | 51,447 |
| Liabilities of discontinued operations held-for-sale | 19 | 1,121 | 1,140 | 0 | 0 | 1,140 |
| **Total liabilities** | **277,829** | **533,020** | **810,849** | **6,110** | **8,681** | **825,640** |
| **Total shareholders' equity** | **18,583** | **21,409** | **39,992** | **42,164** | **(39,992)** | **42,164** |
| Noncontrolling interests | 3,150 | 421 | 3,571 | 0 | 1,431 | 5,002 |
| **Total equity** | **21,733** | **21,830** | **43,563** | **42,164** | **(38,561)** | **47,166** |
| **Total liabilities and equity** | **299,562** | **554,850** | **854,412** | **48,274** | **(29,880)** | **872,806** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

| end of 4Q12 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | **Bank** | Group parent company | Other Group subsidiaries[1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | | |
| Cash and due from banks | 4,523 | 56,853 | 61,376 | 19 | 368 | 61,763 |
| Interest-bearing deposits with banks | 82 | 3,637 | 3,719 | 0 | (1,774) | 1,945 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 130,175 | 53,271 | 183,446 | 0 | 9 | 183,455 |
| Securities received as collateral | 34,980 | (4,935) | 30,045 | 0 | 0 | 30,045 |
| Trading assets | 87,974 | 168,628 | 256,602 | 0 | (203) | 256,399 |
| Investment securities | 22 | 1,917 | 1,939 | 0 | 1,559 | 3,498 |
| Other investments | 6,252 | 5,564 | 11,816 | 35,088 | (34,882) | 12,022 |
| Net loans | 22,945 | 204,553 | 227,498 | 4,459 | 10,266 | 242,223 |
| Premises and equipment | 1,062 | 4,354 | 5,416 | 0 | 202 | 5,618 |
| Goodwill | 581 | 6,929 | 7,510 | 0 | 879 | 8,389 |
| Other intangible assets | 77 | 166 | 243 | 0 | 0 | 243 |
| Brokerage receivables | 20,672 | 25,096 | 45,768 | 0 | 0 | 45,768 |
| Other assets | 15,993 | 56,789 | 72,782 | 173 | (43) | 72,912 |
| **Total assets** | **325,338** | **582,822** | **908,160** | **39,739** | **(23,619)** | **924,280** |
| **Liabilities and equity (CHF million)** | | | | | | |
| Due to banks | 164 | 30,410 | 30,574 | 3,753 | (3,313) | 31,014 |
| Customer deposits | 1 | 297,689 | 297,690 | 0 | 10,622 | 308,312 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 130,411 | 2,310 | 132,721 | 0 | 0 | 132,721 |
| Obligation to return securities received as collateral | 34,980 | (4,935) | 30,045 | 0 | 0 | 30,045 |
| Trading liabilities | 23,332 | 67,759 | 91,091 | 0 | (275) | 90,816 |
| Short-term borrowings | 22,157 | (7,319) | 14,838 | 0 | 3,803 | 18,641 |
| Long-term debt | 35,485 | 111,512 | 146,997 | 437 | 700 | 148,134 |
| Brokerage payables | 44,401 | 20,275 | 64,676 | 0 | 0 | 64,676 |
| Other liabilities | 12,927 | 44,440 | 57,367 | 51 | 219 | 57,637 |
| **Total liabilities** | **303,858** | **562,141** | **865,999** | **4,241** | **11,756** | **881,996** |
| **Total shareholders' equity** | **17,970** | **16,797** | **34,767** | **35,498** | **(34,767)** | **35,498** |
| Noncontrolling interests | 3,510 | 3,884 | 7,394 | 0 | (608) | 6,786 |
| **Total equity** | **21,480** | **20,681** | **42,161** | **35,498** | **(35,375)** | **42,284** |
| **Total liabilities and equity** | **325,338** | **582,822** | **908,160** | **39,739** | **(23,619)** | **924,280** |

[1] Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

| in 2013 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | **Bank** | Group parent company | Other Group subsidiaries[1] | **Credit Suisse Group** |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **6,126** | **15,912** | **22,038** | **400** [2] | **(364)** | **22,074** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (1) | 444 | 443 | 0 | 95 | 538 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | (594) | 17,714 | 17,120 | 0 | 0 | 17,120 |
| Purchase of investment securities | 0 | (676) | (676) | (1,402) | 1,401 | (677) |
| Proceeds from sale of investment securities | 23 | 153 | 176 | 0 | 0 | 176 |
| Maturities of investment securities | 0 | 673 | 673 | 0 | 159 | 832 |
| Investments in subsidiaries and other investments | 232 | (1,570) | (1,338) | (2,458) | 2,004 | (1,792) |
| Proceeds from sale of other investments | 2,139 | 1,026 | 3,165 | 481 | 91 | 3,737 |
| (Increase)/decrease in loans | 2,456 | (10,306) | (7,850) | 1,228 | (2,504) | (9,126) |
| Proceeds from sales of loans | 0 | 1,483 | 1,483 | 0 | 0 | 1,483 |
| Capital expenditures for premises and equipment and other intangible assets | (238) | (657) | (895) | 0 | (8) | (903) |
| Proceeds from sale of premises and equipment and other intangible assets | 0 | 9 | 9 | 0 | 0 | 9 |
| Other, net | (87) | 202 | 115 | 0 | 7 | 122 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **3,930** | **8,495** | **12,425** | **(2,151)** | **1,245** | **11,519** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 95 | 22,252 | 22,347 | (500) | 616 | 22,463 |
| Increase/(decrease) in short-term borrowings | 22,124 | (16,122) | 6,002 | 0 | 0 | 6,002 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (29,400) | (6,947) | (36,347) | 0 | 0 | (36,347) |
| Issuances of long-term debt | 687 | 37,227 | 37,914 | 2,292 | (1,116) | 39,090 |
| Repayments of long-term debt | (3,482) | (52,830) | (56,312) | 0 | 1,177 | (55,135) |
| Issuances of common shares | 0 | 0 | 0 | 976 | 0 | 976 |
| Sale of treasury shares | 0 | 0 | 0 | 58 | 9,706 | 9,764 |
| Repurchase of treasury shares | 0 | 0 | 0 | (217) | (9,985) | (10,202) |
| Dividends paid | 0 | (305) | (305) | (154) | (105) | (564) |
| Excess tax benefits related to share-based compensation | 0 | 0 | 0 | 1 | (1) | 0 |
| Other, net | 258 | 923 | 1,181 | 75 | (1,724) | (468) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(9,718)** | **(15,802)** | **(25,520)** | **2,531** | **(1,432)** | **(24,421)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(74)** | **(1,141)** | **(1,215)** | **(4)** | **3** | **(1,216)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **0** | **(1,027)** | **(1,027)** | **0** | **0** | **(1,027)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **264** | **6,437** | **6,701** | **776** | **(548)** | **6,929** |
| Cash and due from banks at beginning of period | 4,523 | 56,853 | 61,376 | 19 | 368 | 61,763 |
| **Cash and due from banks at end of period** | **4,787** | **63,290** | **68,077** | **795** | **(180)** | **68,692** |

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 161 million and CHF 208 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## Condensed consolidating statements of cash flows

| in 2012 | Credit Suisse (USA), Inc. consolidated | Bank parent company and other subsidiaries[1] | Bank | Group parent company | Other Group subsidiaries[1] | Credit Suisse Group |
|---|---|---|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) operating activities of continuing operations** | **(4,312)** | **(7,671)** | **(11,983)** | **357** [2] | **(1,042)** | **(12,668)** |
| **Investing activities of continuing operations (CHF million)** | | | | | | |
| (Increase)/decrease in interest-bearing deposits with banks | (2) | 317 | 315 | 0 | (131) | 184 |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 22,780 | 24,153 | 46,933 | 0 | 19 | 46,952 |
| Purchase of investment securities | 0 | (276) | (276) | 0 | (204) | (480) |
| Proceeds from sale of investment securities | 0 | 936 | 936 | 0 | 0 | 936 |
| Maturities of investment securities | 0 | 1,442 | 1,442 | 0 | 184 | 1,626 |
| Investments in subsidiaries and other investments | 34 | (1,981) | (1,947) | (3,584) | 3,492 | (2,039) |
| Proceeds from sale of other investments | 1,922 | 996 | 2,918 | 110 | 76 | 3,104 |
| (Increase)/decrease in loans | 1,075 | (11,326) | (10,251) | 1,154 | (1,925) | (11,022) |
| Proceeds from sales of loans | 0 | 1,090 | 1,090 | 0 | 0 | 1,090 |
| Capital expenditures for premises and equipment and other intangible assets | (364) | (863) | (1,227) | 0 | (15) | (1,242) |
| Proceeds from sale of premises and equipment and other intangible assets | 16 | 10 | 26 | 0 | 0 | 26 |
| Other, net | 235 | 3,441 | 3,676 | 28 | (21) | 3,683 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **25,696** | **17,939** | **43,635** | **(2,292)** | **1,475** | **42,818** |
| **Financing activities of continuing operations (CHF million)** | | | | | | |
| Increase/(decrease) in due to banks and customer deposits | 78 | (14,532) | (14,454) | (1,015) | 2,902 | (12,567) |
| Increase/(decrease) in short-term borrowings | 5,508 | (17,151) | (11,643) | 0 | 3,803 | (7,840) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (20,167) | (19,791) | (39,958) | 0 | 0 | (39,958) |
| Issuances of long-term debt | 879 | 36,338 | 37,217 | 10 | 1,178 | 38,405 |
| Repayments of long-term debt | (5,094) | (49,371) | (54,465) | (1,149) | (322) | (55,936) |
| Issuances of common shares | 0 | 0 | 0 | 1,930 | 0 | 1,930 |
| Sale of treasury shares | 0 | 0 | 0 | 367 | 7,988 | 8,355 |
| Repurchase of treasury shares | 0 | 0 | 0 | (495) | (8,364) | (8,859) |
| Dividends paid | 0 | (321) | (321) | (944) | (31) | (1,296) |
| Excess tax benefits related to share-based compensation | 0 | 42 | 42 | 0 | (42) | 0 |
| Other, net | (1,714) | 5,317 | 3,603 | 3,180 | (6,389) | 394 |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(20,510)** | **(59,469)** | **(79,979)** | **1,884** | **723** | **(77,372)** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(105)** | **(1,070)** | **(1,175)** | **57** | **(124)** | **(1,242)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | | | | |
| **Net cash provided by/(used in) discontinued operations** | **6** | **(352)** | **(346)** | **0** | **0** | **(346)** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | | | | |
| **Net increase/(decrease) in cash and due from banks** | **775** | **(50,623)** | **(49,848)** | **6** | **1,032** | **(48,810)** |
| Cash and due from banks at beginning of period | 3,748 | 107,476 | 111,224 | 13 | (664) | 110,573 |
| **Cash and due from banks at end of period** | **4,523** | **56,853** | **61,376** | **19** | **368** | **61,763** |

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 166 million and CHF 46 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

# List of abbreviations

**A**

| | |
|---|---|
| ABS | Asset-Backed Securities |
| ADS | American Depositary Share |
| AMA | Advanced Measurement Approach |
| AMF | Asset Management Finance LLC |
| AOCI | Accumulated other comprehensive income/(loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |

**B**

| | |
|---|---|
| BCBS | Basel Committee on Banking Supervision |
| BIS | Bank for International Settlements |
| bp | Basis point |

**C**

| | |
|---|---|
| CCA | Contingent Capital Awards |
| CDO | Collateralized debt obligation |
| CDS | Credit default swaps |
| CET1 | Common equity tier 1 |
| CFIG | Customized Fund Investment Group |
| CFTC | Commodity Futures Trading Commission |
| CIFG | CIFG Assurance North America, Inc. |
| CMBS | Commercial mortgage-backed securities |
| CP | Commercial paper |
| CPR | Constant prepayment rate |
| CRD | Capital Requirement Directive IV |
| CSS LLC | Credit Suisse Securities (USA) LLC |
| CVA | Credit valuation adjustment |

**D**

| | |
|---|---|
| DOJ | US Department of Justice |
| DVA | Debit valuation adjustment |

**E**

| | |
|---|---|
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| ECB | European Central Bank |
| EMEA | Europe, Middle East and Africa |
| ETF | Exchange-traded funds |
| EU | European Union |

**F**

| | |
|---|---|
| FASB | Financial Accounting Standards Board |
| Fed | US Federal Reserve |
| FHFA | Federal Housing Finance Agency |
| FINMA | Swiss Financial Market Supervisory Authority FINMA |
| FMIA | Financial Market Infrastructure Act |
| FSB | Financial Stability Board |

**G**

| | |
|---|---|
| G-7 | Group of seven leading industry nations |
| G-SIB | Global systemically important banks |
| GSE | Government-sponsored enterprise |

**I**

| | |
|---|---|
| IPO | Initial public offering |
| ISDA | International Swaps and Derivatives Association, Inc. |
| ISU | Incentive Share Unit |

**K**

| | |
|---|---|
| KPI | Key performance indicator |

**L**

| | |
|---|---|
| LCR | Liquidity coverage ratio |

**M**

| | |
|---|---|
| MACCS | Mandatory and contingent convertible securities |
| M&A | Mergers and acquisitions |

**N**

| | |
|---|---|
| NAV | Net asset value |
| NRV | Negative replacement value |
| NSFR | Net stable funding ratio |

**O**

| | |
|---|---|
| OTC | Over-the-counter |

**P**

| | |
|---|---|
| PAF2 | 2011 Partner Asset Facility |
| PRV | Positive replacement value |
| PSA | Prepayment speed assumption |

**Q**

| | |
|---|---|
| QoQ | Quarter on quarter |

**R**

| | |
|---|---|
| RMBS | Residential mortgage-backed securities |
| RWA | Risk-weighted assets |

**S**

| | |
|---|---|
| SCNY | Supreme Court of the State of New York, New York County |
| SEC | US Securities and Exchange Commission |
| SEI | Significant economic interest |
| SISU | Scaled Incentive Share Unit |
| SNB | Swiss National Bank |
| SPE | Special purpose entity |
| SPIA | Single Premium Immediate Annuity |

**T**

| | |
|---|---|
| TRS | Total return swap |

**U**

| | |
|---|---|
| UK | United Kingdom |
| UHNWI | Ultra-high-net-worth individual |
| US | United States of America |
| US GAAP | US generally accepted accounting principles |

**V**

| | |
|---|---|
| VaR | Value-at-risk |
| VARMC | Valuation and Risk Management Committee |
| VIE | Variable interest entity |
| VIX | Chicago Board Options Exchange Market Volatility Index |

**Y**

| | |
|---|---|
| YoY | Year on year |
| Ytd | Year to date |

# Investor information

## Share data

| | | | | in / end of |
|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 |
| **Share price (common shares, CHF)** | | | | |
| Average | 26.74 | 21.23 | 31.43 | 45.97 |
| Minimum | 22.90 | 16.01 | 19.65 | 37.04 |
| Maximum | 30.29 | 27.20 | 44.99 | 56.40 |
| End of period | 27.27 | 22.26 | 22.07 | 37.67 |
| **Share price (American Depositary Shares, USD)** | | | | |
| Average | 28.85 | 22.70 | 35.36 | 44.16 |
| Minimum | 24.56 | 16.20 | 21.20 | 36.54 |
| Maximum | 33.84 | 29.69 | 47.63 | 54.57 |
| End of period | 30.84 | 24.56 | 23.48 | 40.41 |
| **Market capitalization** | | | | |
| Market capitalization (CHF million) | 43,526 | 29,402 | 27,021 | 44,683 |
| Market capitalization (USD million) | 49,224 | 32,440 | 28,747 | 47,933 |
| **Dividend per share (CHF)** | | | | |
| Dividend per share | 0.70 [1] | 0.75 [2, 4] | 0.75 [3, 4] | 1.30 [4] |

[1] Proposal of the Board of Directors to the Annual General Meeting on May 9, 2014; to be paid out of reserves from capital contributions.
[2] The distribution was payable in cash of CHF 0.10 per share and in the form of new shares with an approximate value of CHF 0.65 per share.
[3] The distribution was payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new shares of Credit Suisse Group at the option of the shareholder.
[4] Paid out of reserves from capital contributions.

## Ticker symbols / stock exchange listings

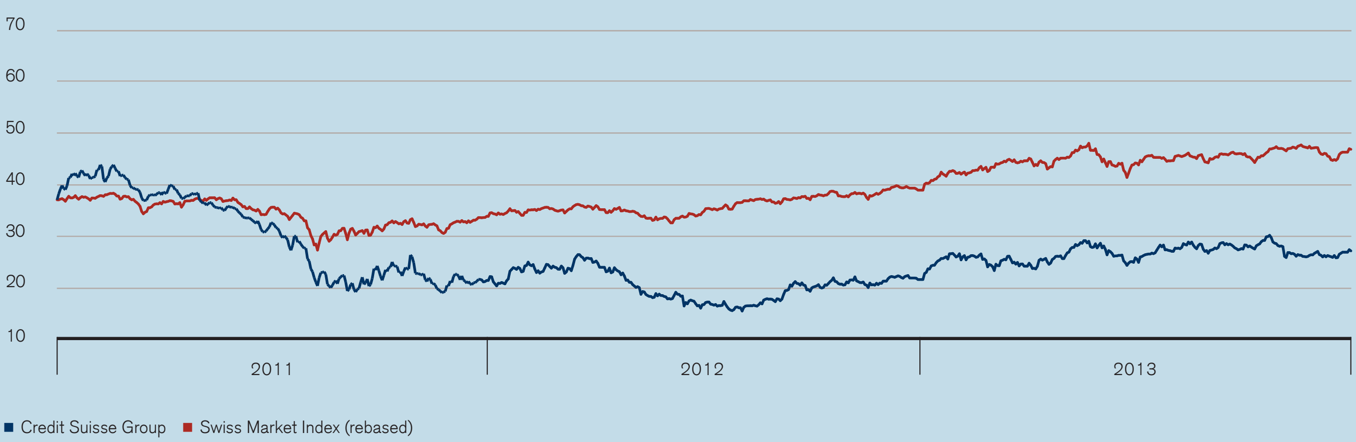
| | Common shares | ADS [1] |
|---|---|---|
| **Ticker symbols** | | |
| Bloomberg | CSGN VX | CS US |
| Reuters | CSGN.VX | CS.N |
| Telekurs | CSGN,380 | CS,065 |
| **Stock exchange listings** | | |
| Swiss security number | 1213853 | 570660 |
| ISIN number | CH0012138530 | US2254011081 |
| CUSIP number | – | 225 401 108 |

[1] One American Depositary Share (ADS) represents one common share.

## Bond ratings

| as of February 4, 2014 | Moody's | Standard & Poor's | Fitch Ratings |
|---|---|---|---|
| **Credit Suisse Group ratings** | | | |
| Short-term | – | – | F1 |
| Long-term | A2 | A- | A |
| Outlook | Stable | Stable | Stable |
| **Credit Suisse (the Bank) ratings** | | | |
| Short-term | P-1 | A-1 | F1 |
| Long-term | A1 | A | A |
| Outlook | Stable | Stable | Stable |

## Share performance



# Financial calendar and contacts

| Financial calendar | |
|---|---|
| First quarter 2014 results | Wednesday, April 16, 2014 |
| Annual General Meeting | Friday, May 9, 2014 |

| Investor relations | |
|---|---|
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| E-mail | investor.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/investors |

| Media relations | |
|---|---|
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| E-mail | media.relations@credit-suisse.com |
| Internet | www.credit-suisse.com/news |

| Additional information | |
|---|---|
| Results and financial information | www.credit-suisse.com/results |
| Printed copies | Credit Suisse AG |
| | Publikationenbestellungen/TLSA 221 |
| | P.O. Box |
| | 8070 Zurich |
| | Switzerland |

| US share register and transfer agent | |
|---|---|
| | Deutsche Bank |
| ADS depositary bank | Trust Company Americas |
| Address | Credit Suisse c/o |
| | American Stock Transfer & Trust Co. |
| | Peck Slip Station |
| | P.O. Box 2050 |
| | New York, NY 10272-2050 |
| | United States |
| US and Canada phone | +1 800 301 35 17 |
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| Swiss share register and transfer agent | |
|---|---|
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| | Share Register RXS |
| | 8070 Zurich |
| | Switzerland |
| Phone | +41 44 332 26 60 |
| E-Mail | robert.rohner@credit-suisse.com |

## Foreign currency translation rates

| | End of | | | Average in | | | Average in | |
|---|---|---|---|---|---|---|---|---|
| | **4Q13** | 3Q13 | 4Q12 | **4Q13** | 3Q13 | 4Q12 | **2013** | 2012 |
| 1 USD / 1 CHF | 0.89 | 0.90 | 0.92 | 0.90 | 0.93 | 0.93 | 0.93 | 0.93 |
| 1 EUR / 1 CHF | 1.23 | 1.22 | 1.21 | 1.23 | 1.23 | 1.21 | 1.23 | 1.20 |
| 1 GBP / 1 CHF | 1.47 | 1.46 | 1.48 | 1.47 | 1.43 | 1.49 | 1.45 | 1.48 |
| 100 JPY / 1 CHF | 0.85 | 0.92 | 1.06 | 0.90 | 0.94 | 1.14 | 0.95 | 1.17 |

**Cautionary statement regarding forward-looking information**

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

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

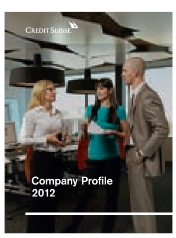
Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2014 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in "Risk factors" in I – Information on the company in our Annual Report 2012.






Our 2012 annual publication suite consisting of Annual Report and Corporate Responsibility Report, which also contains the Company Profile 2012, is available on our website www.credit-suisse.com/investors

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