

CREDIT SUISSE AG

Form 20-F

April 03, 2014

**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

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Telephone: +41 44 333 6607

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Commission file number: 001-33434

Credit Suisse AG

(Exact name of Registrant as specified in its charter)

**Canton of Zurich, Switzerland**

(Jurisdiction of incorporation or organization)

**Paradeplatz 8, CH 8001 Zurich, Switzerland**

(Address of principal executive offices)

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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<br>American Depositary Shares each representing one Share   | New York Stock Exchange<br>New York Stock Exchange* |
| Shares par value CHF 0.04*   |   |
| Credit Suisse AG<br>Fixed to Floating Rate Tier 1 Capital Notes<br>Floating Rate Tier 1 Capital Notes                            | New York Stock Exchange<br>New York Stock Exchange  |
| Exchange Traded Notes due February 19, 2020<br>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<br>Linked to the Cushing® 30 MLP Index             | NYSE Arca   |
| Exchange Traded Notes due October 6, 2020<br>Linked to the Credit Suisse Merger Arbitrage Liquid Index (Net)                     | NYSE Arca   |
| Exchange Traded Notes due March 13, 2031<br>Linked on a Leveraged Basis to the Credit Suisse Merger Arbitrage Liquid Index (Net) | NYSE Arca   |
| Market Neutral Equity ETN<br>Linked to the HS Market Neutral Index Powered by HOLT™ due September 22, 2031                       | NYSE Arca   |
| VelocityShares Daily Inverse VIX Short Term ETN<br>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<br>Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030       | The Nasdaq Stock Market                             |
| VelocityShares VIX Short Term ETN<br>Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030                    | The Nasdaq Stock Market                             |
| VelocityShares VIX Medium Term ETN<br>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<br>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<br>Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030            | The Nasdaq Stock Market                             |
| VelocityShares™ 3x Long Gold ETN<br>Linked to the S&P GSCI® Gold Index ER due October 14, 2031                                   | The Nasdaq Stock Market                             |
| VelocityShares™ 3x Long Silver ETN<br>Linked to the S&P GSCI® Silver Index ER due October 14, 2031                               | The Nasdaq Stock Market                             |
| VelocityShares™ 3x Inverse Gold ETN<br>Linked to the S&P GSCI® Gold Index ER due October 14, 2031                                | The Nasdaq Stock Market                             |
| VelocityShares™ 3x Inverse Silver ETN<br>Linked to the S&P GSCI® Silver Index ER due October 14, 2031                            | The Nasdaq Stock Market                             |
| VelocityShares™ 3x Long Crude Oil ETN<br>Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032                         | NYSE Arca   |
| VelocityShares™ 3x Long Natural Gas ETN<br>Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032                     | NYSE Arca   |
| VelocityShares™ 3x Inverse Crude Oil ETN<br>Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032                      | NYSE Arca   |

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VelocityShares™ 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 Other  
Financial Reporting Standards  
as issued by the  
International Accounting Standards Board

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



Definitions

Sources

Cautionary statement regarding forward-looking information

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SIGNATURES

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#### 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

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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.

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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.

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**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.

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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.

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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](http://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](http://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.

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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.

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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.

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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

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## Financial highlights

|   | 2013    | 2012    | in / end of<br>2011 | 13 / 12 | % change<br>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) <sup>1</sup>                       |         |         |                     |         |                     |
| 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 (%) <sup>1</sup> |         |         |                     |         |                     |
| 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 <sup>2</sup>                                | 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 <sup>3</sup>                    | 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 <sup>3</sup>                    | 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   |         |         |                     |         |                     |

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|   |                   |                   |                   |     |     |
|---|-------------------|-------------------|-------------------|-----|-----|
| 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) <sup>4</sup>     |                   |                   |                   |     |     |
| 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 <sub>5</sub> | 0.75 <sub>6</sub> | 0.75 <sub>6</sub> | –   | –   |
| 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

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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](http://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, Largesia 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.

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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.

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Urs Rohner (left), Chairman of the Board of Directors and Brady W. Dougan, Chief Executive Officer.

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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.

5

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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.

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## 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](http://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](http://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 &amp; 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 &amp; Wealth Management

|                                       | 2013    | 2012    | in / end of<br>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 delayed 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

|  | 2013   | 2012   | in / end of<br>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<sup>®</sup>), 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<sup>®</sup> helps institutions and hedge funds reduce market impact. AES<sup>®</sup> 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 FSO 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 depository 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 ~~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.

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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.

Operating and financial review

Operating environment

Credit Suisse

Core Results

Private Banking & Wealth Management

Investment Banking

Corporate Center

Assets under management

Critical accounting estimates

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## 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.

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 <sup>1</sup>                 | (3)    | –      |
| Announced mergers and acquisitions <sup>2</sup>    | 8      | 3      |
| Completed mergers and acquisitions <sup>2</sup>    | 2      | 23     |
| Equity underwriting <sup>2</sup>                   | 32     | 41     |
| Debt underwriting <sup>2</sup>                     | 1      | 10     |
| Syndicated lending - investment-grade <sup>2</sup> | 14     | –      |

<sup>1</sup>  
London Stock Exchange, Borsa Italiana, Deutsche Börse, BME and Euronext. Global also includes New York Stock Exchange and NASDAQ.

<sup>2</sup>  
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

|   | 2013          | 2012          | in / end of<br>2011 | 13 / 12 | % change<br>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                  |
| <b>Net revenues</b>                                   | <b>25,856</b> | <b>23,611</b> | <b>25,891</b>       | 10      | (9)                 |
| <b>Provision for credit losses</b>                    | <b>167</b>    | <b>170</b>    | <b>187</b>          | (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)                 |
| <b>Total operating expenses</b>                       | <b>21,593</b> | <b>21,251</b> | <b>22,233</b>       | 2       | (4)                 |
| <b>Income from continuing operations before taxes</b> | <b>4,096</b>  | <b>2,190</b>  | <b>3,471</b>        | 87      | (37)                |
| Income tax expense                                    | 1,276         | 465           | 656                 | 174     | (29)                |
| <b>Income from continuing operations</b>              | <b>2,820</b>  | <b>1,725</b>  | <b>2,815</b>        | 63      | (39)                |
| Income/(loss) from discontinued operations            | 145           | (40)          | (25)                | –       | 60                  |
| <b>Net income</b>                                     | <b>2,965</b>  | <b>1,685</b>  | <b>2,790</b>        | 76      | (40)                |
| Net income attributable to noncontrolling interests   | 639           | 336           | 837                 | 90      | (60)                |
| <b>Net income/(loss) attributable to shareholders</b> | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>        | 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                 | –       | –                   |
|   | 7.2           | 5.2           | 8.1                 | –       | –                   |

Return on tangible equity  
 attributable to shareholders <sup>1</sup>

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.

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## Credit Suisse and Core Results

| in  | Core Results  |               |               | Noncontrolling interests without SEI |            |            | Credit Suisse |               |               |
|---|---------------|---------------|---------------|--------------------------------------|------------|------------|---------------|---------------|---------------|
|   | 2013          | 2012          | 2011          | 2013                                 | 2012       | 2011       | 2013          | 2012          | 2011          |
| Statements of operations (CHF million)                |               |               |               |                                      |            |            |               |               |               |
| <b>Net revenues</b>                                   | <b>25,217</b> | <b>23,251</b> | <b>25,095</b> | <b>639</b>                           | <b>360</b> | <b>796</b> | <b>25,856</b> | <b>23,611</b> | <b>25,891</b> |
| <b>Provision for credit losses</b>                    | <b>167</b>    | <b>170</b>    | <b>187</b>    | <b>0</b>                             | <b>0</b>   | <b>0</b>   | <b>167</b>    | <b>170</b>    | <b>187</b>    |
| 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         |
| <b>Total operating expenses</b>                       | <b>21,546</b> | <b>21,193</b> | <b>22,149</b> | <b>47</b>                            | <b>58</b>  | <b>84</b>  | <b>21,593</b> | <b>21,251</b> | <b>22,233</b> |
| <b>Income from continuing operations before taxes</b> | <b>3,504</b>  | <b>1,888</b>  | <b>2,759</b>  | <b>592</b>                           | <b>302</b> | <b>712</b> | <b>4,096</b>  | <b>2,190</b>  | <b>3,471</b>  |
| Income tax expense                                    | 1,276         | 465           | 656           | 0                                    | 0          | 0          | 1,276         | 465           | 656           |
| <b>Income from continuing operations</b>              | <b>2,228</b>  | <b>1,423</b>  | <b>2,103</b>  | <b>592</b>                           | <b>302</b> | <b>712</b> | <b>2,820</b>  | <b>1,725</b>  | <b>2,815</b>  |
| Income/(loss) from discontinued operations            | 145           | (40)          | (25)          | 0                                    | 0          | 0          | 145           | (40)          | (25)          |
| <b>Net income</b>                                     | <b>2,373</b>  | <b>1,383</b>  | <b>2,078</b>  | <b>592</b>                           | <b>302</b> | <b>712</b> | <b>2,965</b>  | <b>1,685</b>  | <b>2,790</b>  |
| Net income attributable to noncontrolling interests   | 47            | 34            | 125           | 592                                  | 302        | 712        | 639           | 336           | 837           |
| <b>Net income attributable to shareholders</b>        | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>  | <b>0</b>                             | <b>0</b>   | <b>0</b>   | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>  |
| 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 <sup>1</sup>                        | 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

| in   | 2013          | 2012          | Group<br>2011 | 2013          | 2012          | Bank<br>2011  |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Statements of operations (CHF million)                     |               |               |               |               |               |               |
| <b>Net revenues</b>  | <b>25,856</b> | <b>23,611</b> | <b>25,891</b> | <b>25,330</b> | <b>23,178</b> | <b>24,853</b> |
| <b>Total operating expenses</b>                            | <b>21,593</b> | <b>21,251</b> | <b>22,233</b> | <b>21,567</b> | <b>21,108</b> | <b>22,219</b> |
| <b>Income from continuing operations before taxes</b>      | <b>4,096</b>  | <b>2,190</b>  | <b>3,471</b>  | <b>3,670</b>  | <b>1,982</b>  | <b>2,511</b>  |
| Income tax expense   | 1,276         | 465           | 656           | 1,177         | 447           | 444           |
| <b>Income from continuing operations</b>                   | <b>2,820</b>  | <b>1,725</b>  | <b>2,815</b>  | <b>2,493</b>  | <b>1,535</b>  | <b>2,067</b>  |
| Income/(loss) from discontinued operations                 | 145           | (40)          | (25)          | 145           | (40)          | (25)          |
| <b>Net income</b>  | <b>2,965</b>  | <b>1,685</b>  | <b>2,790</b>  | <b>2,638</b>  | <b>1,495</b>  | <b>2,042</b>  |
| Net income/(loss) attributable to noncontrolling interests | 639           | 336           | 837           | 860           | (600)         | 901           |
| <b>Net income attributable to shareholders</b>             | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>  | <b>1,778</b>  | <b>2,095</b>  | <b>1,141</b>  |

## Comparison of consolidated balance sheets

| end of                                 | 2013    | Group<br>2012 | 2013    | Bank<br>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

| end of  | 2013           | Group<br>2012  | 2013           | Bank<br>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        |
| <b>Total liabilities</b>  | <b>825,640</b> | <b>881,996</b> | <b>810,849</b> | <b>865,999</b> |
| <b>Total equity</b>   | <b>47,166</b>  | <b>42,284</b>  | <b>43,563</b>  | <b>42,161</b>  |
| <b>Total capitalization and indebtedness</b>  | <b>872,806</b> | <b>924,280</b> | <b>854,412</b> | <b>908,160</b> |

## Capital adequacy – Basel III

| end of                              | 2013   | Group<br>2012 | 2013   | Bank<br>2012 |
|-------------------------------------|--------|---------------|--------|--------------|
| Eligible capital (CHF million)      |        |               |        |              |
| Common equity tier 1 (CET1) capital | 42,989 | 41,500        | 38,028 | 36,717       |

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|                        |        |        |        |        |
|------------------------|--------|--------|--------|--------|
| 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   |

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|                                    |                   |      |
|------------------------------------|-------------------|------|
| Dividends of the Bank to the Group |                   |      |
| end of                             | 2013              | 2012 |
| Per share issued (CHF)             |                   |      |
| Dividend <sup>1, 2</sup>           | 0.00 <sub>3</sub> | 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.



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 Guldemann 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

|  | 2013          | 2012          | in / end of<br>2011 | 13 / 12 | % change<br>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                 |
| <b>Net revenues</b>  | <b>25,217</b> | <b>23,251</b> | <b>25,095</b>       | 8       | (7)                 |
| of which strategic results                                   | 25,543        | 25,493        | 23,454              | –       | 9                   |
| of which non-strategic results                               | (326)         | (2,242)       | 1,641               | (85)    | –                   |
| <b>Provision for credit losses</b>                           | <b>167</b>    | <b>170</b>    | <b>187</b>          | (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)                 |
| <b>Total operating expenses</b>                              | <b>21,546</b> | <b>21,193</b> | <b>22,149</b>       | 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)                 |
| <b>Income/(loss) from continuing operations before taxes</b> | <b>3,504</b>  | <b>1,888</b>  | <b>2,759</b>        | 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)                |
| <b>Income from continuing operations</b>                     | <b>2,228</b>  | <b>1,423</b>  | <b>2,103</b>        | 57      | (32)                |
| Income/(loss) from discontinued operations                   | 145           | (40)          | (25)                | –       | 60                  |
| <b>Net income</b>  | <b>2,373</b>  | <b>1,383</b>  | <b>2,078</b>        | 72      | (33)                |
| Net income attributable to noncontrolling interests          | 47            | 34            | 125                 | 38      | (73)                |
| <b>Net income/(loss) attributable to shareholders</b>        | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>        | 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 <sup>1</sup>                     | 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                | –       | –                   |

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|   |        |        |        |     |     |
|---|--------|--------|--------|-----|-----|
| Net income margin <sup>2</sup>              | 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

| in / end of  | Strategic results |               |               | Non-strategic results |                |              | Core Results  |               |               |
|--|-------------------|---------------|---------------|-----------------------|----------------|--------------|---------------|---------------|---------------|
|  | 2013              | 2012          | 2011          | 2013                  | 2012           | 2011         | 2013          | 2012          | 2011          |
| Statements of operations (CHF million)                       |                   |               |               |                       |                |              |               |               |               |
| <b>Net revenues</b>  | <b>25,543</b>     | <b>25,493</b> | <b>23,454</b> | <b>(326)</b>          | <b>(2,242)</b> | <b>1,641</b> | <b>25,217</b> | <b>23,251</b> | <b>25,095</b> |
| <b>Provision for credit losses</b>                           | <b>95</b>         | <b>127</b>    | <b>105</b>    | <b>72</b>             | <b>43</b>      | <b>82</b>    | <b>167</b>    | <b>170</b>    | <b>187</b>    |
| 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         |
| <b>Total operating expenses</b>                              | <b>18,316</b>     | <b>19,099</b> | <b>19,961</b> | <b>3,230</b>          | <b>2,094</b>   | <b>2,188</b> | <b>21,546</b> | <b>21,193</b> | <b>22,149</b> |
| <b>Income/(loss) from continuing operations before taxes</b> | <b>7,132</b>      | <b>6,267</b>  | <b>3,388</b>  | <b>(3,628)</b>        | <b>(4,379)</b> | <b>(629)</b> | <b>3,504</b>  | <b>1,888</b>  | <b>2,759</b>  |
| Income tax expense/(benefit)                                 | 2,020             | 1,437         | 587           | (744)                 | (972)          | 69           | 1,276         | 465           | 656           |
| <b>Income/(loss) from continuing operations</b>              | <b>5,112</b>      | <b>4,830</b>  | <b>2,801</b>  | <b>(2,884)</b>        | <b>(3,407)</b> | <b>(698)</b> | <b>2,228</b>  | <b>1,423</b>  | <b>2,103</b>  |
| Income/(loss) from discontinued operations                   | 0                 | 0             | 0             | 145                   | (40)           | (25)         | 145           | (40)          | (25)          |
| <b>Net income/(loss)</b>                                     | <b>5,112</b>      | <b>4,830</b>  | <b>2,801</b>  | <b>(2,739)</b>        | <b>(3,447)</b> | <b>(723)</b> | <b>2,373</b>  | <b>1,383</b>  | <b>2,078</b>  |
| Net income attributable to noncontrolling interests          | 47                | 34            | 125           | 0                     | 0              | 0            | 47            | 34            | 125           |
| <b>Net income/(loss) attributable to shareholders</b>        | <b>5,065</b>      | <b>4,796</b>  | <b>2,676</b>  | <b>(2,739)</b>        | <b>(3,447)</b> | <b>(723)</b> | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>  |
| Balance sheet statistics (CHF billion)                       |                   |               |               |                       |                |              |               |               |               |
| Risk-weighted assets   |                   |               |               |                       |                |              |               |               |               |
| – Basel III  | 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

|   | 2013          | 2012          | in<br>2011    | % change |         |
|---|---------------|---------------|---------------|----------|---------|
|   |               |               |               | 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)     | –       |
| <b>Net revenues</b>   | <b>25,217</b> | <b>23,251</b> | <b>25,095</b> | 8        | (7)     |
| Income/(loss) from continuing operations before taxes (CHF million) |               |               |               |          |         |

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|   |              |              |              |      |      |
|---|--------------|--------------|--------------|------|------|
| 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) | —    |
| <b>Income from continuing operations before taxes</b> | <b>3,504</b> | <b>1,888</b> | <b>2,759</b> | 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 (%)                     | 18–20% of |      |      |      |
|                                | net       |      |      |      |
| Collaboration revenues         | revenues  | 17.7 | 18.6 | 16.8 |
| Efficiency and performance (%) |           |      |      |      |

|   |  |      |      |        |
|---|--|------|------|--------|
| Total shareholder return (Credit Suisse) <sup>1</sup>     | Superior<br>return vs<br>peer<br>group | 26.0 | 4.8  | (39.4) |
| Total shareholder return of peer<br>group <sup>1, 2</sup> | –                                      | 26.7 | 49.2 | (35.0) |
| Return on equity attributable to<br>shareholders          | Above<br>15%                           | 5.7  | 3.9  | 6.0    |
| Core Results cost/income ratio<br>Capital (%)             | Below<br>70%                           | 85.4 | 91.1 | 88.3   |
| Look-through Swiss Core Capital ratio                     | Above<br>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 |               |               | Investment Banking |               |               | Corporate Center |                |              | 2013          | 2012          |
|--|-------------------------------------|---------------|---------------|--------------------|---------------|---------------|------------------|----------------|--------------|---------------|---------------|
|  | 2013                                | 2012          | 2011          | 2013               | 2012          | 2011          | 2013             | 2012           | 2011         |               |               |
| Statements of operations (CHF million)                       |                                     |               |               |                    |               |               |                  |                |              |               |               |
| <b>Net revenues</b>  | <b>13,442</b>                       | <b>13,474</b> | <b>13,397</b> | <b>12,565</b>      | <b>12,558</b> | <b>10,460</b> | <b>(790)</b>     | <b>(2,781)</b> | <b>1,238</b> | <b>25,217</b> | <b>23,250</b> |
| <b>Provision for credit losses</b>                           | <b>152</b>                          | <b>182</b>    | <b>111</b>    | <b>13</b>          | <b>(12)</b>   | <b>76</b>     | <b>2</b>         | <b>0</b>       | <b>0</b>     | <b>167</b>    | <b>170</b>    |
| Compensation and benefits                                    | 5,331                               | 5,561         | 5,729         | 5,435              | 6,070         | 6,471         | 455              | 636            | 739          | 11,221        | 12,260        |
| General and administrative expenses                          | 3,914                               | 3,209         | 3,806         | 4,477              | 3,551         | 3,388         | 196              | 464            | 77           | 8,587         | 7,220         |
| Commission expenses  | 805                                 | 747           | 790           | 921                | 947           | 1,118         | 12               | 8              | 31           | 1,738         | 1,700         |
| Total other operating expenses                               | 4,719                               | 3,956         | 4,596         | 5,398              | 4,498         | 4,506         | 208              | 472            | 108          | 10,325        | 8,920         |
| <b>Total operating expenses</b>                              | <b>10,050</b>                       | <b>9,517</b>  | <b>10,325</b> | <b>10,833</b>      | <b>10,568</b> | <b>10,977</b> | <b>663</b>       | <b>1,108</b>   | <b>847</b>   | <b>21,546</b> | <b>21,190</b> |
| <b>Income/(loss) from continuing operations before taxes</b> | <b>3,240</b>                        | <b>3,775</b>  | <b>2,961</b>  | <b>1,719</b>       | <b>2,002</b>  | <b>(593)</b>  | <b>(1,455)</b>   | <b>(3,889)</b> | <b>391</b>   | <b>3,504</b>  | <b>1,880</b>  |
| Income tax expense   | –                                   | –             | –             | –                  | –             | –             | –                | –              | –            | 1,276         | 460           |
| <b>Income from continuing operations</b>                     | <b>–</b>                            | <b>–</b>      | <b>–</b>      | <b>–</b>           | <b>–</b>      | <b>–</b>      | <b>–</b>         | <b>–</b>       | <b>–</b>     | <b>2,228</b>  | <b>1,420</b>  |
| Income/(loss) from discontinued operations                   | –                                   | –             | –             | –                  | –             | –             | –                | –              | –            | 145           | (400)         |
| <b>Net income</b>  | <b>–</b>                            | <b>–</b>      | <b>–</b>      | <b>–</b>           | <b>–</b>      | <b>–</b>      | <b>–</b>         | <b>–</b>       | <b>–</b>     | <b>2,373</b>  | <b>1,380</b>  |
| Net income attributable to noncontrolling interests          | –                                   | –             | –             | –                  | –             | –             | –                | –              | –            | 47            | 300           |
| <b>Net income attributable to shareholders</b>               | <b>–</b>                            | <b>–</b>      | <b>–</b>      | <b>–</b>           | <b>–</b>      | <b>–</b>      | <b>–</b>         | <b>–</b>       | <b>–</b>     | <b>2,326</b>  | <b>1,340</b>  |
| Statement of operations metrics (%)                          |                                     |               |               |                    |               |               |                  |                |              |               |               |
| Return on Basel III capital                                  | 24.2                                | 29.0          | –             | 7.5                | 7.8           | –             | –                | –              | –            | 9.2           | 4.0           |
|  | 74.8                                | 70.6          | 77.1          | 86.2               | 84.2          | 104.9         | –                | –              | –            | 85.4          | 91.0          |

|   |         |         |         |         |         |         |        |        |         |           |         |  |
|---|---------|---------|---------|---------|---------|---------|--------|--------|---------|-----------|---------|--|
| Cost/income ratio                           |         |         |         |         |         |         |        |        |         |           |         |  |
| Pre-tax income margin                       | 24.1    | 28.0    | 22.1    | 13.7    | 15.9    | (5.7)   | –      | –      | –       | 13.9      | 8.0     |  |
| Effective tax rate                          | –       | –       | –       | –       | –       | –       | –      | –      | –       | 36.4      | 24.0    |  |
| Net income margin                           | –       | –       | –       | –       | –       | –       | –      | –      | –       | 9.2       | 5.0     |  |
| Balance sheet statistics (CHF million)      |         |         |         |         |         |         |        |        |         |           |         |  |
| Basel III risk-weighted assets <sup>3</sup> |         |         |         |         |         |         |        |        |         |           |         |  |
|   | 94,395  | 96,009  | –       | 156,402 | 171,511 | –       | 15,306 | 16,590 | –       | 266,103   | 284,110 |  |
| Total assets                                | 279,139 | 275,683 | 283,582 | 502,799 | 563,758 | 641,266 | 87,244 | 80,733 | 119,568 | 869,182   | 920,170 |  |
| Swiss leverage exposure                     |         |         |         |         |         |         |        |        |         |           |         |  |
|   | 324,483 | –       | –       | 722,500 | –       | –       | 83,622 | –      | –       | 1,130,605 | –       |  |
| Net loans                                   | 215,713 | 207,702 | 196,268 | 31,319  | 34,501  | 37,134  | 22     | 20     | 11      | 247,054   | 242,220 |  |
| Goodwill                                    | 2,164   | 2,409   | 2,471   | 5,835   | 5,980   | 6,120   | –      | –      | –       | 7,999     | 8,380   |  |

1  
Core Results include the results of our integrated banking business, excluding revenues and expenses in respect of noncontrolling interests.

2  
Calculated using income after tax denominated in CHF; assumes tax rate of 27% (28% for strategic results) in 2013, 25% in 2012.

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.

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 &amp; 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

|   | 2013          | 2012          | in / end of<br>2011 | 13 / 12 | % change<br>12 / 11 |
|---|---------------|---------------|---------------------|---------|---------------------|
| Statements of operations (CHF million)                                  |               |               |                     |         |                     |
| <b>Net revenues</b>   | <b>13,442</b> | <b>13,474</b> | <b>13,397</b>       | 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                  |
| <b>Provision for credit losses</b>                                      | <b>152</b>    | <b>182</b>    | <b>111</b>          | (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)                |
| <b>Total operating expenses</b>   | <b>10,050</b> | <b>9,517</b>  | <b>10,325</b>       | 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)                |
| <b>Income/(loss) before taxes</b>                                       | <b>3,240</b>  | <b>3,775</b>  | <b>2,961</b>        | (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 <sup>1</sup>                                | 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<br>(CHF million)                      | 9,554         | 9,965         | 10,054              | (4)     | (1)                 |
| Pre-tax return on average utilized<br>economic capital (%) <sup>2</sup> | 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<br>equivalents)                          | 26,000        | 27,300        | 28,100              | (5)     | (3)                 |
| Number of relationship managers   | 4,330         | 4,550         | 4,560               | (5)     | 0                   |

<sup>1</sup> 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.

<sup>2</sup>

Calculated using a return excluding interest costs for allocated goodwill.

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## Divisional results (continued)

|   | 2013           | 2012           | in / end of<br>2011 | 13 / 12 | % change<br>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 <sup>1</sup>                 | 267            | 448            | 260                 | (40)    | 72                  |
| <b>Net revenues</b>                         | <b>13,442</b>  | <b>13,474</b>  | <b>13,397</b>       | 0       | 1                   |
| Provision for credit losses (CHF million)   |                |                |                     |         |                     |
| New provisions                              | 281            | 316            | 277                 | (11)    | 14                  |
| Releases of provisions                      | (129)          | (134)          | (166)               | (4)     | (19)                |
| <b>Provision for credit losses</b>          | <b>152</b>     | <b>182</b>     | <b>111</b>          | (16)    | 64                  |
| Balance sheet statistics (CHF million)      |                |                |                     |         |                     |
| <b>Net loans</b>                            | <b>215,713</b> | <b>207,702</b> | <b>196,268</b>      | 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                   |
| <b>Deposits</b>                             | <b>288,770</b> | <b>276,571</b> | <b>262,985</b>      | 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                  |

<sup>1</sup> 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.

## Strategic and non-strategic results

| in / end of                            | Strategic and non-strategic results |                   |               |                       |              |             | Private Banking & Wealth Management |               |               |
|--|-------------------------------------|-------------------|---------------|-----------------------|--------------|-------------|-------------------------------------|---------------|---------------|
|  | 2013                                | Strategic results |               | Non-strategic results |              |             | 2013                                | 2012          | 2011          |
| Statements of operations (CHF million) |                                     |                   |               |                       |              |             |                                     |               |               |
| <b>Net revenues</b>                    | <b>12,434</b>                       | <b>12,343</b>     | <b>12,431</b> | <b>1,008</b>          | <b>1,131</b> | <b>966</b>  | <b>13,442</b>                       | <b>13,474</b> | <b>13,397</b> |
| <b>Provision for credit losses</b>     | <b>82</b>                           | <b>139</b>        | <b>73</b>     | <b>70</b>             | <b>43</b>    | <b>38</b>   | <b>152</b>                          | <b>182</b>    | <b>111</b>    |
| 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         |
| <b>Total operating expenses</b>        | <b>8,725</b>                        | <b>8,830</b>      | <b>9,366</b>  | <b>1,325</b>          | <b>687</b>   | <b>959</b>  | <b>10,050</b>                       | <b>9,517</b>  | <b>10,325</b> |
| <b>Income/(loss) before taxes</b>      | <b>3,627</b>                        | <b>3,374</b>      | <b>2,992</b>  | <b>(387)</b>          | <b>401</b>   | <b>(31)</b> | <b>3,240</b>                        | <b>3,775</b>  | <b>2,961</b>  |
| 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

|   | 2013          | 2012          | in / end of<br>2011 | 13 / 12 | % change<br>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                  |
| <b>Net revenues</b>                         | <b>12,434</b> | <b>12,343</b> | <b>12,431</b>       | 1       | (1)                 |
| New provisions                              | 210           | 274           | 239                 | (23)    | 15                  |
| Releases of provisions                      | (128)         | (135)         | (166)               | (5)     | (19)                |
| <b>Provision for credit losses</b>          | <b>82</b>     | <b>139</b>    | <b>73</b>           | (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)                 |
| <b>Total operating expenses</b>             | <b>8,725</b>  | <b>8,830</b>  | <b>9,366</b>        | (1)     | (6)                 |
| <b>Income before taxes</b>                  | <b>3,627</b>  | <b>3,374</b>  | <b>2,992</b>        | 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 <sup>1</sup>    | 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            | 88,3162       | 88,281        | –                   | 0       | –                   |
| Total assets                                | 258,447       | 251,716       | 257,894             | 3       | (2)                 |
| Swiss leverage exposure                     | 302,894       | –             | –                   | –       | –                   |

<sup>1</sup> 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.

<sup>2</sup> 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)                    |              |              |              |          |         |
| <b>Net revenues</b>                                       | <b>8,444</b> | <b>8,475</b> | <b>8,641</b> | 0        | (2)     |
| <b>Provision for credit losses</b>                        | <b>78</b>    | <b>110</b>   | <b>76</b>    | (29)     | 45      |
| <b>Total operating expenses</b>                           | <b>6,316</b> | <b>6,394</b> | <b>6,889</b> | (1)      | (7)     |
| <b>Income before taxes</b>                                | <b>2,050</b> | <b>1,971</b> | <b>1,676</b> | 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           | 0            | (100)    | –       |
| <b>Net revenues</b>                                       | <b>8,444</b> | <b>8,475</b> | <b>8,641</b> | 0        | (2)     |
| Gross margin on assets under management (bp) <sup>2</sup> |              |              |              |          |         |
| 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            | –        | –       |
| <b>Gross margin</b>                                       | <b>107</b>   | <b>114</b>   | <b>122</b>   | –        | –       |

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          |
| <b>Number of relationship managers</b> | <b>3,770</b> | <b>3,990</b> | <b>4,040</b> |

## Assets under management – Wealth Management Clients

|   | 2013         | 2012         | in / end of<br>2011 | 13 / 12 | % change<br>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                |
| <b>Assets under management</b>                    | <b>790.7</b> | <b>758.0</b> | <b>709.6</b>        | 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                |
| <b>Assets under management</b>                    | <b>790.7</b> | <b>758.0</b> | <b>709.6</b>        | 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)               |
| <b>Net new assets</b>                             | <b>18.9</b>  | <b>20.6</b>  | <b>35.1</b>         | (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)               | –       | –                   |
| <b>Growth in assets under management</b>          | <b>32.7</b>  | <b>48.5</b>  | <b>(13.7)</b>       | –       | –                   |
| Growth in assets under management (%)             |              |              |                     |         |                     |
| Net new assets                                    | 2.5          | 2.9          | 4.9                 | –       | –                   |
| Other effects                                     | 1.8          | 3.9          | (6.8)               | –       | –                   |
| <b>Growth in assets under management</b>          | <b>4.3</b>   | <b>6.8</b>   | <b>(1.9)</b>        | –       | –                   |

## Corporate &amp; 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 &amp; Institutional Clients

|   | 2013         | 2012         | in<br>2011   | % change   |          |
|---|--------------|--------------|--------------|------------|----------|
|   |              |              |              | 13 / 12    | 12 / 11  |
| Statements of operations (CHF million)      |              |              |              |            |          |
| <b>Net revenues</b>                         | <b>1,996</b> | <b>2,064</b> | <b>2,017</b> | (3)        | 2        |
| <b>Provision for credit losses</b>          | <b>4</b>     | <b>29</b>    | <b>(3)</b>   | (86)       | –        |
| <b>Total operating expenses</b>             | <b>1,027</b> | <b>1,094</b> | <b>1,097</b> | (6)        | 0        |
| <b>Income before taxes</b>                  | <b>965</b>   | <b>941</b>   | <b>923</b>   | 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 <sup>1</sup>                 | (15)         | (11)         | (17)         | 36         | (35)     |
| <b>Net revenues</b>                         | <b>1,996</b> | <b>2,064</b> | <b>2,017</b> | <b>(3)</b> | <b>2</b> |

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.

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## 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

|  | 2013         | 2012         | in<br>2011   | % change |         |
|--|--------------|--------------|--------------|----------|---------|
|  |              |              |              | 13 / 12  | 12 / 11 |
| Statements of operations (CHF million)         |              |              |              |          |         |
| <b>Net revenues</b>                            | <b>1,994</b> | <b>1,804</b> | <b>1,773</b> | 11       | 2       |
| <b>Provision for credit losses</b>             | <b>0</b>     | <b>0</b>     | <b>0</b>     | –        | –       |
| <b>Total operating expenses</b>                | <b>1,382</b> | <b>1,342</b> | <b>1,380</b> | 3        | (3)     |
| <b>Income before taxes</b>                     | <b>612</b>   | <b>462</b>   | <b>393</b>   | 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)    |
| <b>Net revenues</b>                            | <b>1,994</b> | <b>1,804</b> | <b>1,773</b> | 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 <sup>1</sup>                    | 11           | (3)          | 72           | –        | –       |

|  |              |              |              |    |   |
|--|--------------|--------------|--------------|----|---|
| <b>Net revenues</b>                              | <b>1,994</b> | <b>1,804</b> | <b>1,773</b> | 11 | 2 |
| Fee-based margin on assets under management (bp) |              |              |              |    |   |
| Fee-based margin <sup>2</sup>                    | 58           | 52           | 49           | –  | – |

1

Includes allocated funding costs.

2

Fee-based revenues divided by average assets under management.

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## 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

|   | 2013         | 2012         | in / end of<br>2011 | 13 / 12 | % change<br>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)              |
| <b>Assets under management<sup>1</sup></b>        | <b>352.3</b> | <b>325.3</b> | <b>319.0</b>        | 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                |
| <b>Assets under management</b>                    | <b>352.3</b> | <b>325.3</b> | <b>319.0</b>        | 8.3     | 2.0                 |
| Growth in assets under management (CHF billion)   |              |              |                     |         |                     |
| Net new assets <sup>2</sup>                       | 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)               | –       | –                   |
| <b>Growth in assets under management</b>          | <b>27.0</b>  | <b>6.3</b>   | <b>(14.4)</b>       | –       | –                   |

|  |            |            |              |        |        |
|--|------------|------------|--------------|--------|--------|
| Growth in assets under management (%)    |            |            |              |        |        |
| Net new assets                           | 4.6        | (2.6)      | 1.1          | –      | –      |
| Other effects                            | 3.7        | 4.6        | (5.4)        | –      | –      |
| <b>Growth in assets under management</b> | <b>8.3</b> | <b>2.0</b> | <b>(4.3)</b> | –      | –      |
| 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.

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## 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

|   | 2013         | 2012         | in / end of<br>2011 | 13 / 12 | % change<br>12 / 11 |
|---|--------------|--------------|---------------------|---------|---------------------|
| Statements of operations (CHF million)            |              |              |                     |         |                     |
| <b>Net revenues</b>                               | <b>1,008</b> | <b>1,131</b> | <b>966</b>          | (11)    | 17                  |
| <b>Provision for credit losses</b>                | <b>70</b>    | <b>43</b>    | <b>38</b>           | 63      | 13                  |
| Compensation and benefits                         | 304          | 375          | 379                 | (19)    | (1)                 |
| Total other operating expenses                    | 1,021        | 312          | 580                 | 227     | (46)                |
| <b>Total operating expenses</b>                   | <b>1,325</b> | <b>687</b>   | <b>959</b>          | 93      | (28)                |
| <b>Income/(loss) before taxes</b>                 | <b>(387)</b> | <b>401</b>   | <b>(31)</b>         | —       | —                   |
| 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                  |
| <b>Net revenues</b>                               | <b>1,008</b> | <b>1,131</b> | <b>966</b>          | (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 | –      | –      | –    | –   |

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#### 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 &amp; 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 <sup>1</sup>     | (155.0)        | (141.0)        | (131.0)        | 9.9          | 7.6           |
| <b>Assets under management</b>                    | <b>1,282.4</b> | <b>1,250.8</b> | <b>1,185.2</b> | <b>2.5</b>   | <b>5.5</b>    |
| 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 <sup>1</sup>     | (4.7)          | (0.9)          | (1.1)          | 422.2        | (18.2)        |
| <b>Net new assets</b>                             | <b>32.1</b>    | <b>10.8</b>    | <b>46.6</b>    | <b>197.2</b> | <b>(76.8)</b> |

1

Assets managed by Asset Management for Wealth Management Clients, Corporate & Institutional Clients and non-strategic businesses.

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## 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

|  | 2013          | 2012          | in / end of<br>2011 | % change<br>13 / 12 | % change<br>12 / 11 |
|--|---------------|---------------|---------------------|---------------------|---------------------|
| Statements of operations (CHF million)                               |               |               |                     |                     |                     |
| <b>Net revenues</b>  | <b>12,565</b> | <b>12,558</b> | <b>10,460</b>       | –                   | 20                  |
| of which strategic results   | 13,164        | 13,385        | 11,129              | (2)                 | 20                  |
| of which non-strategic results                                       | (599)         | (827)         | (669)               | (28)                | 24                  |
| <b>Provision for credit losses</b>                                   | <b>13</b>     | <b>(12)</b>   | <b>76</b>           | –                   | –                   |
| 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                  | –                   |
| <b>Total operating expenses</b>                                      | <b>10,833</b> | <b>10,568</b> | <b>10,977</b>       | 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)                |
| <b>Income/(loss) before taxes</b>                                    | <b>1,719</b>  | <b>2,002</b>  | <b>(593)</b>        | (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 <sup>1</sup>                             | 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 (%) <sup>2</sup> | 9.1           | 10.6          | (2.4)               | –                   | –                   |
| Number of employees (full-time equivalents)                          |               |               |                     |                     |                     |
| Number of employees  | 19,700        | 19,800        | 20,700              | (1)                 | (4)                 |

<sup>1</sup> 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.

<sup>2</sup>



Calculated using a return excluding interest costs for allocated goodwill.

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## Divisional results (continued)

|  | 2013          | 2012          | in<br>2011    | % change |         |
|--|---------------|---------------|---------------|----------|---------|
|  |               |               |               | 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      |
| <b>Total underwriting and advisory</b>                           | <b>3,326</b>  | <b>3,211</b>  | <b>2,973</b>  | 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       |
| <b>Total sales and trading</b>                                   | <b>9,573</b>  | <b>9,679</b>  | <b>7,620</b>  | (1)      | 27      |
| Other  | (334)         | (332)         | (133)         | 1        | 150     |
| <b>Net revenues</b>  | <b>12,565</b> | <b>12,558</b> | <b>10,460</b> | –        | 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       |
| <b>Average one-day, 98% risk management Value-at-Risk</b>        | <b>41</b>     | <b>55</b>     | <b>80</b>     | (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.

## Strategic and non-strategic results

| in / end of  | Strategic results |               |               | Non-strategic results |                |                | Investment Banking |               |               |
|--|-------------------|---------------|---------------|-----------------------|----------------|----------------|--------------------|---------------|---------------|
|  | 2013              | 2012          | 2011          | 2013                  | 2012           | 2011           | 2013               | 2012          | 2011          |
| Statements of operations (CHF million)                         |                   |               |               |                       |                |                |                    |               |               |
| <b>Net revenues</b>  | <b>13,164</b>     | <b>13,385</b> | <b>11,129</b> | <b>(599)</b>          | <b>(827)</b>   | <b>(669)</b>   | <b>12,565</b>      | <b>12,558</b> | <b>10,460</b> |
| <b>Provision for credit losses</b>                             | <b>11</b>         | <b>(12)</b>   | <b>32</b>     | <b>2</b>              | <b>–</b>       | <b>44</b>      | <b>13</b>          | <b>(12)</b>   | <b>76</b>     |
| 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         |
| <b>Total operating expenses</b>                                | <b>9,300</b>      | <b>9,970</b>  | <b>10,308</b> | <b>1,533</b>          | <b>598</b>     | <b>669</b>     | <b>10,833</b>      | <b>10,568</b> | <b>10,977</b> |
| <b>Income/(loss) before taxes</b>                              | <b>3,853</b>      | <b>3,427</b>  | <b>789</b>    | <b>(2,134)</b>        | <b>(1,425)</b> | <b>(1,382)</b> | <b>1,719</b>       | <b>2,002</b>  | <b>(593)</b>  |
| 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

|  | 2013          | 2012          | in / end of<br>2011 | 13 / 12 | % change<br>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                  |
| <b>Total underwriting and advisory</b>                         | <b>3,326</b>  | <b>3,211</b>  | <b>2,973</b>        | 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                   |
| <b>Total sales and trading</b>                                 | <b>10,149</b> | <b>10,506</b> | <b>8,347</b>        | (3)     | 26                  |
| Other  | (311)         | (332)         | (191)               | (6)     | 74                  |
| <b>Net revenues</b>  | <b>13,164</b> | <b>13,385</b> | <b>11,129</b>       | (2)     | 20                  |
| <b>Provision for credit losses</b>                             | <b>11</b>     | <b>(12)</b>   | <b>32</b>           | –       | –                   |
| 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)                 |
| <b>Total operating expenses</b>                                | <b>9,300</b>  | <b>9,970</b>  | <b>10,308</b>       | (7)     | (3)                 |
| <b>Income before taxes</b>                                     | <b>3,853</b>  | <b>3,427</b>  | <b>789</b>          | 12      | 334                 |
| Statement of operations metrics (%)                            |               |               |                     |         |                     |
| Return on Basel III capital <sup>1</sup>                       | 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<br>(USD)                      | 156,041       | 164,199       | –                   | (5)     | –                   |
| Total assets   | 475,516       | 529,652       | 600,680             | (10)    | (12)                |
| Swiss leverage exposure  | 644,800       | –             | –                   | –       | –                   |

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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

|  | 2013           | 2012           | in / end of<br>2011 | 13 / 12     | % change<br>12 / 11 |
|--|----------------|----------------|---------------------|-------------|---------------------|
| Statements of operations (CHF million)                         |                |                |                     |             |                     |
| <b>Net revenues</b>  | <b>(599)</b>   | <b>(827)</b>   | <b>(669)</b>        | (28)        | 24                  |
| <b>Provision for credit losses</b>                             | <b>2</b>       | <b>0</b>       | <b>44</b>           | –           | (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                  |
| <b>Total operating expenses</b>                                | <b>1,533</b>   | <b>598</b>     | <b>669</b>          | 156         | (11)                |
| <b>Income/(loss) before taxes</b>                              | <b>(2,134)</b> | <b>(1,425)</b> | <b>(1,382)</b>      | 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                  |
| <b>Net revenues</b>  | <b>(599)</b>   | <b>(827)</b>   | <b>(669)</b>        | <b>(28)</b> | <b>24</b>           |
| Balance sheet statistics (CHF million, except where indicated) |                |                |                     |             |                     |
| Risk-weighted assets – Basel III                               | 17,549         | 21,252         | –                   | (17)        | –                   |
| Risk-weighted assets – Basel III<br>(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

|   | 2013           | 2012           | in<br>2011   | % change |         |
|---|----------------|----------------|--------------|----------|---------|
|   |                |                |              | 13 / 12  | 12 / 11 |
| Statements of operations (CHF million)        |                |                |              |          |         |
| <b>Net revenues</b>                           | <b>(790)</b>   | <b>(2,781)</b> | <b>1,238</b> | (72)     | —       |
| <b>Provision for credit losses</b>            | <b>2</b>       | <b>0</b>       | <b>0</b>     | —        | —       |
| 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     |
| <b>Total operating expenses</b>               | <b>663</b>     | <b>1,108</b>   | <b>847</b>   | (40)     | 31      |
| <b>Income/(loss) before taxes</b>             | <b>(1,455)</b> | <b>(3,889)</b> | <b>391</b>   | (63)     | —       |
| Balance sheet statistics (CHF million)        |                |                |              |          |         |
| Risk-weighted assets – Basel III <sup>1</sup> | 15,306         | 16,590         | —            | (8)      | —       |
| Total assets                                  | 87,244         | 80,733         | 119,568      | 8        | (32)    |
| Swiss leverage exposure                       | 83,622         | —              | —            | —        | —       |

<sup>1</sup> Represents risk-weighted assets on a fully phased-in "look-through" basis.

## Strategic and non-strategic results

| in                                     | Strategic results |              |              | Non-strategic results |                |              | Corporate Center |                |              |
|--|-------------------|--------------|--------------|-----------------------|----------------|--------------|------------------|----------------|--------------|
|  | 2013              | 2012         | 2011         | 2013                  | 2012           | 2011         | 2013             | 2012           | 2011         |
| Statements of operations (CHF million) |                   |              |              |                       |                |              |                  |                |              |
| <b>Net revenues</b>                    | <b>(55)</b>       | <b>(235)</b> | <b>(106)</b> | <b>(735)</b>          | <b>(2,546)</b> | <b>1,344</b> | <b>(790)</b>     | <b>(2,781)</b> | <b>1,238</b> |
| <b>Provision for credit losses</b>     | <b>2</b>          | <b>0</b>     | <b>0</b>     | <b>0</b>              | <b>0</b>       | <b>0</b>     | <b>2</b>         | <b>0</b>       | <b>0</b>     |
| 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          |
| <b>Total operating expenses</b>        | <b>291</b>        | <b>299</b>   | <b>287</b>   | <b>372</b>            | <b>809</b>     | <b>560</b>   | <b>663</b>       | <b>1,108</b>   | <b>847</b>   |
| <b>Income/(loss) before taxes</b>      | <b>(348)</b>      | <b>(534)</b> | <b>(393)</b> | <b>(1,107)</b>        | <b>(3,355)</b> | <b>784</b>   | <b>(1,455)</b>   | <b>(3,889)</b> | <b>391</b>   |

## 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 inter-company 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 CFGI, 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.

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## Non-strategic results

|  |                |                    | in           | % change |         |
|--|----------------|--------------------|--------------|----------|---------|
|  | 2013           | 2012               | 2011         | 13 / 12  | 12 / 11 |
| Statements of operations (CHF million)                             |                |                    |              |          |         |
| <b>Net revenues</b>  | <b>(735)</b>   | <b>(2,546)</b>     | <b>1,344</b> | (71)     | –       |
| <b>Provision for credit losses</b>                                 | <b>0</b>       | <b>0</b>           | <b>0</b>     | –        | –       |
| <b>Total operating expenses</b>                                    | <b>372</b>     | <b>809</b>         | <b>560</b>   | (54)     | 44      |
| <b>Income/(loss) before taxes</b>                                  | <b>(1,107)</b> | <b>(3,355)</b>     | <b>784</b>   | (67)     | –       |
| of which fair value impact from movements in own credit spreads    | (315)          | (2,939)            | 1,616        | (89)     | –       |
| of which realignment costs <sup>1</sup>                            | (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) <sub>2</sub> | 0            | 100      | –       |
| of which legacy funding costs <sup>3</sup>                         | (57)           | (85)               | (80)         | (33)     | 6       |
| of which reclassifications to discontinued operations <sup>4</sup> | (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 CFGI 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.

|   | 2013         | 2012           | 2011         |
|---|--------------|----------------|--------------|
| Impact from movements in own credit spreads (CHF million)             |              |                |              |
| <b>Fair value gains/(losses) from movements in own credit spreads</b> | <b>(315)</b> | <b>(2,939)</b> | <b>1,616</b> |
| 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<br>stand-alone derivatives | 83 | (318) | (291) |
|--|----|-------|-------|

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## 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

|   | 2013           | 2012           | end of<br>2011 | % change |         |
|---|----------------|----------------|----------------|----------|---------|
|   |                |                |                | 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 <sup>1</sup>                             | 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 <sup>2</sup>             | (155.0)        | (141.0)        | (131.0)        | 9.9      | 7.6     |
| <b>Assets under management</b>                            | <b>1,282.4</b> | <b>1,250.8</b> | <b>1,185.2</b> | 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     |
| <b>Assets under management from continuing operations</b> | <b>1,253.4</b> | <b>1,197.8</b> | <b>1,133.5</b> | 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 <sup>1</sup>                             | 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 <sup>2</sup>             | (155.0)        | (141.0)        | (131.0)        | 9.9      | 7.6     |
| <b>Client assets</b>                                      | <b>1,506.9</b> | <b>1,465.4</b> | <b>1,391.4</b> | 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.

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|   |              |             |               |
|---|--------------|-------------|---------------|
| Growth in assets under management in                                | 2013         | 2012        | 2011          |
| Growth in assets under management (CHF billion)                     |              |             |               |
| <b>Net new assets from continuing operations</b>                    | <b>36.1</b>  | <b>11.4</b> | <b>43.7</b>   |
| Net new assets from discontinued operations                         | (4.0)        | (0.6)       | 2.9           |
| <b>Net new assets</b>   | <b>32.1</b>  | <b>10.8</b> | <b>46.6</b>   |
| 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 <sup>1</sup>                              | 15.0         | (8.3)       | 3.8           |
| of which non-strategic  | (5.9)        | (2.1)       | 3.5           |
| of which assets managed across businesses <sup>2</sup>              | (4.7)        | (0.9)       | (1.1)         |
| <b>Other effects from continuing operations</b>                     | <b>19.5</b>  | <b>52.9</b> | <b>(63.5)</b> |
| Other effects from discontinued operations                          | (20.0)       | 1.9         | (3.1)         |
| <b>Other effects</b>  | <b>(0.5)</b> | <b>54.8</b> | <b>(66.6)</b> |
| 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 <sup>2</sup>              | (9.3)        | (9.1)       | 3.8           |
| <b>Growth in assets under management from continuing operations</b> | <b>55.6</b>  | <b>64.3</b> | <b>(19.8)</b> |
| Growth in assets under management from discontinued operations      | (24.0)       | 1.3         | (0.2)         |
| <b>Growth in assets under management</b>                            | <b>31.6</b>  | <b>65.6</b> | <b>(20.0)</b> |
| 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 <sup>1</sup>                              | 27.0         | 6.3         | (14.4)        |
| of which non-strategic  | (40.3)       | 0.1         | (1.7)         |
| of which assets managed across businesses <sup>2</sup>              | (14.0)       | (10.0)      | 2.7           |
| Growth in assets under management (%)                               |              |             |               |
| <b>Net new assets from continuing operations</b>                    | <b>3.0</b>   | <b>1.0</b>  | <b>3.8</b>    |
| Net new assets from discontinued operations                         | (7.5)        | (1.2)       | 5.6           |
| <b>Net new assets</b>   | <b>2.5</b>   | <b>0.9</b>  | <b>3.9</b>    |
| 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 <sup>1</sup>                              | 4.6          | (2.6)       | 1.1           |
| of which non-strategic  | (7.0)        | (2.5)       | 4.1           |
| of which assets managed across businesses <sup>2</sup>              | 3.3          | 0.7         | 0.8           |
| <b>Other effects from continuing operations</b>                     | <b>1.6</b>   | <b>4.7</b>  | <b>(5.5)</b>  |
| Other effects from discontinued operations                          | (37.8)       | 3.6         | (6.0)         |
| <b>Other effects</b>  | <b>0.0</b>   | <b>4.6</b>  | <b>(5.6)</b>  |
| 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 <sup>2</sup>              | 6.6          | 6.9         | (2.8)         |
| <b>Growth in assets under management from continuing operations</b> | <b>4.6</b>   | <b>5.7</b>  | <b>(1.7)</b>  |
|   | (45.3)       | 2.4         | (0.4)         |

Growth in assets under management from discontinued operations

|  |            |            |              |
|--|------------|------------|--------------|
| <b>Growth in assets under management</b>               | <b>2.5</b> | <b>5.5</b> | <b>(1.7)</b> |
| 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 <sup>1</sup>                 | 8.3        | 2.0        | (4.3)        |
| of which non-strategic                                 | (47.6)     | 0.1        | (2.0)        |
| of which assets managed across businesses <sup>2</sup> | 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 <sup>1</sup> | (4.7)       | (0.9)       | (1.1)       |
| <b>Net new assets</b>                         | <b>32.1</b> | <b>10.8</b> | <b>46.6</b> |
| 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.

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### 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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Treasury, Risk, Balance sheet and Off-balance sheet

Liquidity and funding management

Capital management

Risk management

Balance sheet, off-balance sheet and other contractual obligations

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## 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<br>franc | US<br>dollar | Euro        | Other<br>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 <sub>1</sub> |
| 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              |
| <b>Total liquidity pool (based on internal model)</b> | <b>27.5</b>    | <b>75.0</b>  | <b>12.9</b> | <b>24.7</b>         | <b>140.1</b>      |

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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.



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          |
| <b>Total assets</b>   | <b>466,932</b> | <b>133,807</b>    | <b>45,640</b>         | <b>56,482</b>          | <b>96,274</b>        | <b>73,671</b>        | <b>872,806</b> |
| 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         |

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|  |                |                |               |               |               |               |                |
|--|----------------|----------------|---------------|---------------|---------------|---------------|----------------|
| 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          |
| <b>Total liabilities</b>                             | <b>480,726</b> | <b>112,494</b> | <b>52,729</b> | <b>59,496</b> | <b>77,491</b> | <b>42,704</b> | <b>825,640</b> |

> 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) |               |               |                |
| <b>Issuances</b>                             | <b>2.3</b>    | <b>6.1</b>    | <b>8.4</b>     |
| of which unsecured                           | 2.3           | 6.1           | 8.4            |
| <b>Maturities / Redemptions</b>              | <b>(16.7)</b> | <b>(3.8)</b>  | <b>(20.5)</b>  |
| of which unsecured                           | (15.8)        | (3.8)         | (19.6)         |
| of which secured <sup>1</sup>                | (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.



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

## Capital ratios

|  | 2013              | 2014  | 2015               | 2016                | 2017                | 2018                | 2019         |
|--|-------------------|---|--------------------|---------------------|---------------------|---------------------|--------------|
| CET1                                       | 3.5% <sub>1</sub> | 4.0% <sub>1</sub>   | 4.5%               | 4.5%                | 4.5%                | 4.5%                | 4.5%         |
| Capital conservation buffer                |                   |   |                    | 0.625% <sub>1</sub> | 1.250% <sub>1</sub> | 1.875% <sub>1</sub> | 2.5%         |
| Progressive buffer for G-SIB               |                   |   |                    | 0.375% <sub>1</sub> | 0.750% <sub>1</sub> | 1.125% <sub>1</sub> | 1.5%         |
| <b>Total CET1</b>                          | <b>3.5%</b>       | <b>4.0%</b>   | <b>4.5%</b>        | <b>5.5%</b>         | <b>6.5%</b>         | <b>7.5%</b>         | <b>8.5%</b>  |
| Additional tier 1                          | 1.0% <sub>1</sub> | 1.5%  | 1.5%               | 1.5%                | 1.5%                | 1.5%                | 1.5%         |
| <b>Total tier 1</b>                        | <b>4.5%</b>       | <b>5.5%</b>   | <b>6.0%</b>        | <b>7.0%</b>         | <b>8.0%</b>         | <b>9.0%</b>         | <b>10.0%</b> |
| Tier 2                                     | 3.5% <sub>1</sub> | 2.5% <sub>1</sub>   | 2.0%               | 2.0%                | 2.0%                | 2.0%                | 2.0%         |
| <b>Total capital</b>                       | <b>8.0%</b>       | <b>8.0%</b>   | <b>8.0%</b>        | <b>9.0%</b>         | <b>10.0%</b>        | <b>11.0%</b>        | <b>12.0%</b> |
| Phase-in deductions from CET1 <sup>2</sup> |                   | 20.0% <sub>1</sub>  | 40.0% <sub>1</sub> | 60.0% <sub>1</sub>  | 80.0% <sub>1</sub>  | 100.0%              | 100.0%       |
| Capital instruments subject to phase out   |                   | Phased out over 10-year horizon beginning 2013 through 2022 |                    |                     |                     |                     |              |

## Capital conservation

## buffer

## Progressive buffer for

## G-SIB

**Total CET1**

## Additional tier 1

**Total tier 1**

## Tier 2

**Total capital**

## Phase-in deductions from

CET1<sup>2</sup>

## Capital instruments subject

## to phase out

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.

#### 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](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  $\ggg$ 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.

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.

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## BIS statistics – Basel III

| end of  | 2013                 | 2012               | Group<br>%<br>change | 2013                 | 2012                 | Bank<br>%<br>change |
|---|----------------------|--------------------|----------------------|----------------------|----------------------|---------------------|
| Eligible capital (CHF million)                                  |                      |                    |                      |                      |                      |                     |
| Total shareholders' equity                                      | 42,164               | 35,498             | 19                   | 39,992               | 34,767               | 15                  |
| Mandatory and contingent convertible securities                 | +                    | 3,598 <sup>1</sup> | (100)                | –                    | –                    | –                   |
| Regulatory adjustments  | (1,069) <sup>2</sup> | (303) <sup>2</sup> | 253                  | (3,504) <sup>3</sup> | (3,879) <sup>3</sup> | (10)                |
| Adjustments subject to phase in <sup>4</sup>                    | 1,894                | 2,707              | (30)                 | 1,540                | 5,829                | (74)                |
| <b>CET1 capital</b>   | <b>42,989</b>        | <b>41,500</b>      | 4                    | <b>38,028</b>        | <b>36,717</b>        | 4                   |
| Additional tier 1 instruments                                   | 7,484 <sup>5</sup>   | 1,516              | 394                  | 6,644                | 1,545                | 330                 |
| Additional tier 1 instruments subject to phase out <sup>6</sup> | 3,652                | 10,416             | (65)                 | 3,652                | 10,416               | (65)                |
| Deductions from additional tier 1 capital <sup>7</sup>          | (8,064)              | (9,075)            | (11)                 | (7,219)              | (8,201)              | (12)                |
| <b>Additional tier 1 capital</b>                                | <b>3,072</b>         | <b>2,857</b>       | 8                    | <b>3,077</b>         | <b>3,760</b>         | (18)                |
| <b>Total tier 1 capital</b>                                     | <b>46,061</b>        | <b>44,357</b>      | 4                    | <b>41,105</b>        | <b>40,477</b>        | 2                   |
| Tier 2 instruments  | 6,263 <sup>5</sup>   | 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)                |
| <b>Tier 2 capital</b>   | <b>10,227</b>        | <b>7,162</b>       | 43                   | <b>10,961</b>        | <b>8,829</b>         | 24                  |
| <b>Total eligible capital</b>                                   | <b>56,288</b>        | <b>51,519</b>      | 9                    | <b>52,066</b>        | <b>49,306</b>        | 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)                 |
| <b>Risk-weighted assets</b>                                     | <b>273,846</b>       | <b>292,481</b>     | (6)                  | <b>264,268</b>       | <b>282,085</b>       | (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.

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## CET1 capital movement – Basel III

|                                       |               |
|---------------------------------------|---------------|
|                                       | 2013          |
| CET1 capital (CHF million)            |               |
| <b>Balance at beginning of period</b> | <b>41,500</b> |
| Net income                            | 2,326         |
| Foreign exchange impact               | (907)         |
| Other                                 | 701           |
| <b>Balance at end of period</b>       | <b>42,989</b> |

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](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)        |
| <b>Risk-weighted assets</b>                    | <b>273,846</b> | <b>292,481</b> | <b>(6)</b> |

## Risk-weighted asset movement by risk type – Basel III

| 2013  | Credit risk<br>(excluding<br>CVA) | Credit<br>risk<br>(CVA) | Market<br>risk | Operational<br>risk | Non-<br>counterparty<br>risk | Total<br>risk-<br>weighted<br>assets |
|---|-----------------------------------|-------------------------|----------------|---------------------|------------------------------|--------------------------------------|
| Risk-weighted asset movement by risk type (CHF million) |                                   |                         |                |                     |                              |                                      |
| <b>Balance at beginning of period</b>                   | <b>177,488</b>                    | <b>24,276</b>           | <b>39,466</b>  | <b>45,125</b>       | <b>6,126</b>                 | <b>292,481</b>                       |
| 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 <sup>1</sup>           | (10,586)                          | (10,562)                | –              | –                   | –                            | –                                    |
| of which credit risk – book quality <sup>2</sup>        | (886)                             | (2,187)                 | –              | –                   | –                            | –                                    |
| Model and parameter updates <sup>3</sup>                | (1,754)                           | (2,103)                 | 709            | 1,412               | 0                            | (1,736)                              |
| Methodology and policy <sup>4</sup>                     | 4,565                             | 1,393                   | 5,945          | 6,875               | 0                            | 18,778                               |
| <b>Balance at end of period</b>                         | <b>164,924</b>                    | <b>10,707</b>           | <b>39,133</b>  | <b>53,075</b>       | <b>6,007</b>                 | <b>273,846</b>                       |

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.

## 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 <sup>1</sup>     | 1,658          | 2,481          | (33)       | 1,711          | 2,864          | (40)       |
| <b>Swiss Core Capital</b>                     | <b>44,647</b>  | <b>43,981</b>  | <b>2</b>   | <b>39,739</b>  | <b>39,581</b>  | <b>0</b>   |
| High-trigger capital instruments <sup>2</sup> | 7,743          | 4,084          | 90         | 7,743          | 4,084          | 90         |
| Low-trigger capital instruments <sup>3</sup>  | 6,005          | –              | –          | 5,164          | –              | –          |
| <b>Swiss Total Capital</b>                    | <b>58,395</b>  | <b>48,065</b>  | <b>21</b>  | <b>52,646</b>  | <b>43,665</b>  | <b>21</b>  |
| Risk-weighted assets (CHF million)            |                |                |            |                |                |            |
| Risk-weighted assets – Basel III              | 273,846        | 292,481        | (6)        | 264,268        | 282,085        | (6)        |
| Swiss regulatory adjustments <sup>4</sup>     | 1,015          | 1,259          | (19)       | 1,020          | 1,220          | (16)       |
| <b>Swiss risk-weighted assets</b>             | <b>274,861</b> | <b>293,740</b> | <b>(6)</b> | <b>265,288</b> | <b>283,305</b> | <b>(6)</b> |
| 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           | –          |

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.

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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

| end of<br>Risk-weighted<br>assets (CHF billion)    | Capital requirements |                     |                          |              | Group                        |                     |                          |             |              | Bank<br>2013 |
|--|----------------------|---------------------|--------------------------|--------------|------------------------------|---------------------|--------------------------|-------------|--------------|--------------|
|  | Minimum<br>component | Buffer<br>component | Progressive<br>component | Excess       | 2013<br>Minimum<br>component | Buffer<br>component | Progressive<br>component | Excess      | 2013         |              |
| <b>Swiss<br/>risk-weighted<br/>assets</b>          | -                    | -                   | -                        | -            | <b>274.9</b>                 | -                   | -                        | -           | -            | <b>265.3</b> |
| 2013 Swiss capital requirements <sup>1</sup>       |                      |                     |                          |              |                              |                     |                          |             |              |              |
| Minimum<br>Swiss Total<br>Capital ratio            | 3.5%                 | 3.5%                | 1.1%                     | -            | 8.1%                         | 3.5%                | 3.5%                     | 1.1%        | -            | 8.1%         |
| Minimum<br>Swiss Total<br>Capital (CHF<br>billion) | 9.6                  | 9.6                 | 3.0                      | -            | 22.3                         | 9.3                 | 9.3                      | 2.9         | -            | 21.5         |
| Swiss capital coverage (CHF billion)               |                      |                     |                          |              |                              |                     |                          |             |              |              |
| Swiss Core<br>Capital                              | 9.6                  | 1.9                 | -                        | 33.2         | 44.6                         | 9.3                 | 1.5                      | -           | 28.9         | 39.7         |
| High-trigger<br>capital<br>instruments             | -                    | 7.7                 | -                        | -            | 7.7                          | -                   | 7.7                      | -           | -            | 7.7          |
| Low-trigger<br>capital<br>instruments              | -                    | -                   | 3.0                      | 3.0          | 6.0                          | -                   | -                        | 2.9         | 2.2          | 5.2          |
| <b>Swiss Total<br/>Capital</b>                     | <b>9.6</b>           | <b>9.6</b>          | <b>3.0</b>               | <b>36.1</b>  | <b>58.4</b>                  | <b>9.3</b>          | <b>9.3</b>               | <b>2.9</b>  | <b>31.1</b>  | <b>52.6</b>  |
| Capital ratios (%)                                 |                      |                     |                          |              |                              |                     |                          |             |              |              |
| <b>Swiss Total<br/>Capital ratio</b>               | <b>3.5%</b>          | <b>3.5%</b>         | <b>1.1%</b>              | <b>13.1%</b> | <b>21.2%</b>                 | <b>3.5%</b>         | <b>3.5%</b>              | <b>1.1%</b> | <b>11.7%</b> | <b>19.8%</b> |

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.



## 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<br>2013    | Bank<br>2013     |
|-------------------------------------|------------------|------------------|
| end of                              |                  |                  |
| Swiss Total Capital (CHF million)   |                  |                  |
| <b>Swiss Total Capital</b>          | <b>58,395</b>    | <b>52,646</b>    |
| Exposure (CHF million) <sup>1</sup> |                  |                  |
| Balance sheet assets                | 890,242          | 872,097          |
| Off-balance sheet exposures         | 133,426          | 132,567          |
| Regulatory adjustments              | 130,150          | 127,795          |
| <b>Total average exposure</b>       | <b>1,153,818</b> | <b>1,132,459</b> |
| 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

| end of  | Group             |                                       |  |        | Bank           |                   |                                       |  |        |                |
|---|-------------------|---------------------------------------|--|--------|----------------|-------------------|---------------------------------------|--|--------|----------------|
|   | Minimum component | Capital requirements Buffer component | Capital requirements Progressive component | Excess | 2013           | Minimum component | Capital requirements Buffer component | Capital requirements Progressive component | Excess | 2013           |
| Exposure (CHF billion)                        |                   |                                       |  |        |                |                   |                                       |  |        |                |
| <b>Total average exposure</b>                 | -                 | -                                     | -  | -      | <b>1,153.8</b> | -                 | -                                     | -  | -      | <b>1,132.5</b> |
| 2013 Swiss leverage requirements <sup>1</sup> |                   |                                       |  |        |                |                   |                                       |  |        |                |
| 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           |
|   | -                 | 7.7                                   | -  | -      | 7.7            | -                 | 7.7                                   | -  | -      | 7.7            |

|                                  |              |              |              |             |             |              |              |              |             |             |
|----------------------------------|--------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|-------------|-------------|
| High-trigger capital instruments |              |              |              |             |             |              |              |              |             |             |
| Low-trigger capital instruments  | –            | –            | 3.1          | 3.0         | 6.0         | –            | –            | 3.0          | 2.2         | 5.2         |
| <b>Swiss Total Capital</b>       | <b>9.7</b>   | <b>9.7</b>   | <b>3.1</b>   | <b>36.0</b> | <b>58.4</b> | <b>9.5</b>   | <b>9.5</b>   | <b>3.0</b>   | <b>30.6</b> | <b>52.6</b> |
| Swiss leverage ratio (%)         |              |              |              |             |             |              |              |              |             |             |
| <b>Swiss leverage ratio</b>      | <b>0.84%</b> | <b>0.84%</b> | <b>0.26%</b> | <b>3.1%</b> | <b>5.1%</b> | <b>0.84%</b> | <b>0.84%</b> | <b>0.26%</b> | <b>2.7%</b> | <b>4.6%</b> |

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<br>% |                         |               | Bank<br>%   |
|--|----------------|----------------|------------|-------------------------|---------------|-------------|
| 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          |
| <b>Total shareholders' equity</b>                | <b>42,164</b>  | <b>35,498</b>  | <b>19</b>  | <b>39,992</b>           | <b>34,767</b> | <b>15</b>   |
| Goodwill   | (7,999)        | (8,389)        | (5)        | (7,121)                 | (7,510)       | (5)         |
| Other intangible assets                          | (210)          | (243)          | (14)       | (210)                   | (243)         | (14)        |
| <b>Tangible shareholders' equity<sup>1</sup></b> | <b>33,955</b>  | <b>26,866</b>  | <b>26</b>  | <b>32,661</b>           | <b>27,014</b> | <b>21</b>   |
| 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)       | –                       | –             | –           |
| <b>Shares outstanding</b>                        | <b>1,590.9</b> | <b>1,293.8</b> | <b>23</b>  | <b>4,399.7</b>          | <b>44.0</b>   | <b>–</b>    |
| Par value (CHF)                                  |                |                |            |                         |               |             |
| <b>Par value</b>                                 | <b>0.04</b>    | <b>0.04</b>    | <b>0</b>   | <b>1.00<sub>2</sub></b> | <b>100.00</b> | <b>(99)</b> |
| Book value per share (CHF)                       |                |                |            |                         |               |             |
| <b>Total book value per share</b>                | <b>26.50</b>   | <b>27.44</b>   | <b>(3)</b> | <b>9.09</b>             | <b>790.16</b> | <b>(99)</b> |
| 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)        |
| <b>Tangible book value per share<sup>1</sup></b> | <b>21.34</b>   | <b>20.77</b>   | <b>3</b>   | <b>7.42</b>             | <b>613.95</b> | <b>(99)</b> |

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<br>of shares | Average<br>price<br>per share<br>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                                   |
| <b>Total purchase of treasury shares</b> | <b>385.4</b>        | –                                       |
| <b>Total sale of treasury shares</b>     | <b>401.1</b>        | –                                       |

## 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 <sup>1</sup> | CHF  |
|--|------------------|------|
| Dividend per ordinary share for the financial year |                  |      |
| 2012 <sup>2</sup>                                  | 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](http://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 sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

The 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](http://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.

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  $\ggg$ 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 RRP.

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

|                             | 2013 | 2012 | end of<br>2011 | % change |         |
|-----------------------------|------|------|----------------|----------|---------|
|                             |      |      |                | 13 / 12  | 12 / 11 |
| Position risk (CHF million) |      |      |                |          |         |

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|  |               |               |               |     |      |
|--|---------------|---------------|---------------|-----|------|
| Fixed income trading <sup>1</sup>  | 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 <sup>2</sup>                             | 1,862         | 1,985         | 2,157         | (6) | (8)  |
| <b>Simple sum across risk categories</b>                                 | <b>15,614</b> | <b>14,050</b> | <b>14,277</b> | 11  | (2)  |
| Diversification benefit <sup>3</sup>                                     | (3,571)       | (2,820)       | (2,660)       | 27  | 6    |
| <b>Position risk (99% confidence level for risk management purposes)</b> | <b>12,043</b> | <b>11,230</b> | <b>11,617</b> | 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 <sub>1</sub> |
|--|---------------|---------------|-----------|---------------|---------------|-------------------|
|  | 2013          | 2012          | %         | 2013          | 2012          | %                 |
| end of                                   |               |               | change    |               |               | change            |
| Economic capital resources (CHF million) |               |               |           |               |               |                   |
| Look-through CET1 capital (Basel III)    | 26,480        | 22,690        | 17        | 23,623        | 14,653        | 61                |
| Economic adjustments <sup>2</sup>        | 11,464        | 9,391         | 22        | 12,566        | 10,744        | 17                |
| <b>Economic capital resources</b>        | <b>37,944</b> | <b>32,081</b> | <b>18</b> | <b>36,189</b> | <b>25,397</b> | <b>42</b>         |
| 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 <sup>3</sup>                 | 6,821         | 7,210         | (5)       | 4,743         | 5,143         | (8)               |
| <b>Utilized economic capital</b>         | <b>32,278</b> | <b>31,101</b> | <b>4</b>  | <b>30,052</b> | <b>28,878</b> | <b>4</b>          |

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 <sup>1</sup>                                | 2,244         | 2,242         | 0   |
| <b>Utilized economic capital – Group<sup>2</sup></b>         | <b>32,278</b> | <b>31,101</b> | 4   |
| <b>Utilized economic capital – Bank<sup>3</sup></b>          | <b>30,052</b> | <b>28,878</b> | 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 <sup>1</sup>                                | 2,250         | 2,438         | (8) |
| <b>Average utilized economic capital – Group<sup>4</sup></b> | <b>31,695</b> | <b>32,626</b> | (3) |
| <b>Average utilized economic capital – Bank<sup>3</sup></b>  | <b>29,464</b> | <b>30,206</b> | (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)

| in / end of<br>2013 (CHF million) | Interest<br>rate | Credit<br>spread | Foreign<br>exchange | Commodity | Equity | Risk management<br>VaR (98%)    |       | Regulatory<br>VaR (99%) |
|-----------------------------------|------------------|------------------|---------------------|-----------|--------|---------------------------------|-------|-------------------------|
|                                   |                  |                  |                     |           |        | Diversi-<br>fication<br>benefit | Total | Total                   |
| Average                           | 18               | 35               | 9                   | 2         | 16     | (40)                            | 40    | 39                      |
| Minimum                           | 8                | 30               | 3                   | 1         | 11     | +                               | 33    | 22                      |
| Maximum                           | 45               | 41               | 24                  | 4         | 36     | +                               | 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     | +                               | 34    | 34                      |
| Maximum                           | 43               | 67               | 34                  | 7         | 35     | +                               | 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     | +                               | 54    | 49                      |
| Maximum                           | 43               | 92               | 25                  | 26        | 47     | +                               | 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<br>2013 (USD million) | Interest<br>rate | Credit<br>spread | Foreign<br>exchange | Commodity | Equity | Risk management<br>VaR (98%)    |       | Regulatory<br>VaR (99%) |
|-----------------------------------|------------------|------------------|---------------------|-----------|--------|---------------------------------|-------|-------------------------|
|                                   |                  |                  |                     |           |        | Diversi-<br>fication<br>benefit | Total | Total                   |
| Average                           | 19               | 38               | 10                  | 2         | 17     | (43)                            | 43    | 42                      |
| Minimum                           | 9                | 32               | 3                   | 1         | 12     | +                               | 34    | 24                      |
| Maximum                           | 49               | 44               | 25                  | 4         | 38     | +                               | 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     | +                               | 36    | 37                      |
| Maximum                           | 47               | 73               | 38                  | 8         | 37     | +                               | 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     | +                               | 65    | 55                      |
| Maximum                           | 49               | 99               | 29                  | 27        | 51     | +                               | 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 98<sup>th</sup> percentile loss for risk management VaR and the 99<sup>th</sup> 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.



## 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.

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#### 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<br>end of                                | 2013           | 2012           | % change |
|--|----------------|----------------|----------|
| Credit risk (CHF million)                            |                |                |          |
| <b>Balance sheet</b>                                 |                |                |          |
| 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 <sup>1</sup>                  | 33,665         | 37,138         | (9)      |
| <b>Total balance sheet</b>                           | <b>306,990</b> | <b>304,518</b> | 1        |
| <b>Off-balance sheet</b>                             |                |                |          |
| Irrevocable loan commitments <sup>2</sup>            | 96,990         | 100,219        | (3)      |
| Credit guarantees and similar instruments            | 4,916          | 12,587         | (61)     |
| Irrevocable commitments under documentary<br>credits | 5,512          | 6,258          | (12)     |
| <b>Total off-balance sheet</b>                       | <b>107,418</b> | <b>119,064</b> | (10)     |
| <b>Total credit risk</b>                             | <b>414,408</b> | <b>423,582</b> | (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)      |
| <b>Total loans and irrevocable loan commitments</b>  | <b>345,004</b> | <b>343,423</b> | <b>0</b> |
| of which Private Banking & Wealth Management         | 226,615        | 217,704        | 4        |
| of which Investment Banking                          | 118,365        | 125,701        | (6)      |

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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           |                                  |              |
|-------------------------------|----------------|----------------------------------|--------------|----------------|----------------------------------|--------------|
|                               | Gross exposure | Cash and securities <sup>1</sup> | Net exposure | Gross exposure | Cash and securities <sup>1</sup> | Net exposure |
| Internal ratings              |                |                                  |              |                |                                  |              |
| 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<sub>2</sub> 217,704 (48,189) 169,515<sub>3</sub>**

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           |                              |              |
|-------------------------------|----------------|------------------------------|--------------|----------------|------------------------------|--------------|
|                               | Gross exposure | Risk mitigation <sup>1</sup> | Net exposure | Gross exposure | Risk mitigation <sup>1</sup> | Net exposure |
| Internal ratings              |                |                              |              |                |                              |              |
| 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       |

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|   |                |                 |               |                |                 |                |
|---|----------------|-----------------|---------------|----------------|-----------------|----------------|
| 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            |
| <b>Total loans and irrevocable<br/>loan commitments</b> | <b>118,365</b> | <b>(21,543)</b> | <b>96,822</b> | <b>125,701</b> | <b>(23,648)</b> | <b>102,053</b> |

Includes undrawn irrevocable credit facilities.

1

Credit hedges, cash collateral and marketable securities.

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## 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

| Internal ratings                 | Funded<br>gross<br>exposure | Funded<br>net<br>exposure | Loss given default buckets |               |               |               |            |              |
|----------------------------------|-----------------------------|---------------------------|----------------------------|---------------|---------------|---------------|------------|--------------|
|                                  |                             |                           | 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           |
| <b>Total loans</b>               | <b>216,499</b>              | <b>169,285</b>            | <b>26,230</b>              | <b>77,459</b> | <b>50,412</b> | <b>13,317</b> | <b>833</b> | <b>1,034</b> |

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

| Internal ratings                 | Funded<br>gross<br>exposure | Funded<br>net<br>exposure | Loss given default buckets |        |        |        |        |         |
|----------------------------------|-----------------------------|---------------------------|----------------------------|--------|--------|--------|--------|---------|
|                                  |                             |                           | 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       |

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|                    |               |               |            |            |              |               |            |          |
|--------------------|---------------|---------------|------------|------------|--------------|---------------|------------|----------|
| D                  | 609           | 530           | 64         | 0          | 125          | 336           | 5          | 0        |
| <b>Total loans</b> | <b>31,490</b> | <b>22,499</b> | <b>995</b> | <b>617</b> | <b>6,872</b> | <b>13,345</b> | <b>670</b> | <b>0</b> |

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## 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 &<br>Wealth<br>Management |                     | Investment<br>Banking |                     | Credit Suisse <sup>1</sup> |                     |
|--|---|---------------------|-----------------------|---------------------|----------------------------|---------------------|
|  | 2013                                      | 2012                | 2013                  | 2012                | 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 <sup>2</sup>    | 27,312                     | 25,801 <sup>2</sup> |
| Commercial and industrial loans                      | 48,953                                    | 48,860              | 14,356                | 14,148 <sup>2</sup> | 63,334                     | 63,028 <sup>2</sup> |
| Financial institutions                               | 7,538                                     | 7,616               | 14,302                | 18,286 <sup>2</sup> | 21,840                     | 25,902 <sup>2</sup> |
| Governments and public institutions                  | 1,236                                     | 1,272               | 1,811                 | 1,065 <sup>2</sup>  | 3,047                      | 2,337 <sup>2</sup>  |
| Corporate & institutional                            | 84,284 <sup>3</sup>                       | 83,001 <sup>3</sup> | 31,224                | 34,047              | 115,533                    | 117,068             |
| <b>Gross loans</b>                                   | <b>216,499</b>                            | <b>208,526</b>      | <b>31,490</b>         | <b>34,658</b>       | <b>248,014</b>             | <b>243,204</b>      |
| 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 <sup>4</sup>               | (715)                                     | (785)               | (151)                 | (137)               | (869)                      | (922)               |
| <b>Net loans</b>                                     | <b>215,713</b>                            | <b>207,702</b>      | <b>31,319</b>         | <b>34,501</b>       | <b>247,054</b>             | <b>242,223</b>      |
| 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                 |
| <b>Gross impaired loans<sup>4</sup></b>              | <b>1,234</b>                              | <b>1,426</b>        | <b>252</b>            | <b>303</b>          | <b>1,489</b>               | <b>1,729</b>        |
| 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)              |   |                     |                       |                     |                            |                     |
| <b>Balance at beginning of period<sup>4</sup></b>    | <b>785</b>                                | <b>743</b>          | <b>137</b>            | <b>167</b>          | <b>922</b>                 | <b>910</b>          |
| 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)        |
| <b>Balance at end of period <sup>4</sup></b>   | <b>715</b> | <b>785</b> | <b>151</b> | <b>137</b> | <b>869</b> | <b>922</b> |
| 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 <sup>5</sup>               | 0.4        | 0.4        | 2.1        | 1.7        | 0.5        | 0.5        |
| Gross impaired loans / Gross loans <sup>5</sup>  | 0.6        | 0.7        | 2.1        | 2.0        | 0.7        | 0.8        |
| Allowance for loan losses / Total non-performing and non-interest-earning loans <sup>4</sup> | 80.5       | 86.0       | 59.9       | 52.9       | 76.0       | 78.7       |
| Allowance for loan losses / Gross impaired loans <sup>4</sup>                                | 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.

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## Derivative instruments by maturity

|  | 2013             |              |                   |                            | 2012             |              |                   |                            |
|--|------------------|--------------|-------------------|----------------------------|------------------|--------------|-------------------|----------------------------|
|  | Less than 1 year | 1 to 5 years | More than 5 years | Positive replacement value | Less than 1 year | 1 to 5 years | More than 5 years | Positive replacement value |
| end of / due within                    |                  |              |                   |                            |                  |              |                   |                            |
| 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 <sup>1</sup>            | 1.9              | 1.8          | 1.0               | 4.7                        | 2.5              | 2.4          | 1.4               | 6.3                        |
| <b>OTC derivative instruments</b>      | <b>72.0</b>      | <b>212.0</b> | <b>276.5</b>      | <b>560.5</b>               | <b>84.3</b>      | <b>274.1</b> | <b>463.3</b>      | <b>821.7</b>               |
| Exchange-traded derivative instruments |                  |              |                   | 18.1                       |                  |              |                   | 15.6                       |
| Netting agreements <sup>2</sup>        |                  |              |                   | (544.9)                    |                  |              |                   | (800.2)                    |
| <b>Total derivative instruments</b>    |                  |              |                   | <b>33.7</b>                |                  |              |                   | <b>37.1</b>                |
| 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 counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

## Derivative instruments by counterparty credit rating

| end of  | 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         |
| <b>OTC derivative instruments</b>                   | <b>30.7</b> | <b>35.8</b> |
| Exchange-traded derivative instruments <sup>1</sup> | 3.0         | 1.3         |
| <b>Total derivative instruments <sup>1</sup></b>    | <b>33.7</b> | <b>37.1</b> |

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 99<sup>th</sup> 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 tranching CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

## Selected European credit risk exposures

| December 31, 2013      | Gross<br>credit<br>risk<br>exposure | Risk<br>mitigation |                    | Net<br>credit<br>risk<br>exposure | Inventory <sup>2</sup> | Net<br>synthetic<br>inventory <sup>3</sup> | Total<br>credit risk<br>exposure |            |
|------------------------|-------------------------------------|--------------------|--------------------|-----------------------------------|------------------------|--|----------------------------------|------------|
|                        |                                     | CDS                | Other <sup>1</sup> |                                   |                        |  | Gross                            | Net        |
| Croatia (EUR billion)  |                                     |                    |                    |                                   |                        |  |                                  |            |
| Sovereigns             | 0.6                                 | 0.0                | 0.5                | 0.1                               | 0.0                    | (0.2)                                      | 0.6                              | 0.1        |
| <b>Total</b>           | <b>0.6</b>                          | <b>0.0</b>         | <b>0.5</b>         | <b>0.1</b>                        | <b>0.0</b>             | <b>(0.2)</b>                               | <b>0.6</b>                       | <b>0.1</b> |
| Cyprus (EUR billion)   |                                     |                    |                    |                                   |                        |  |                                  |            |
| Corporates & other     | 0.6                                 | 0.0                | 0.6                | 0.0                               | 0.0                    | 0.0  | 0.6                              | 0.0        |
| <b>Total</b>           | <b>0.6</b>                          | <b>0.0</b>         | <b>0.6</b>         | <b>0.0</b>                        | <b>0.0</b>             | <b>0.0</b>                                 | <b>0.6</b>                       | <b>0.0</b> |
| 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        |
| <b>Total</b>           | <b>0.7</b>                          | <b>0.0</b>         | <b>0.5</b>         | <b>0.2</b>                        | <b>0.0</b>             | <b>0.0</b>                                 | <b>0.7</b>                       | <b>0.2</b> |
| 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        |
| <b>Total</b>           | <b>1.8</b>                          | <b>0.0</b>         | <b>1.0</b>         | <b>0.8</b>                        | <b>0.1</b>             | <b>(0.1)</b>                               | <b>1.9</b>                       | <b>0.9</b> |
| 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        |
| <b>Total</b>           | <b>7.2</b>                          | <b>2.8</b>         | <b>2.9</b>         | <b>1.5</b>                        | <b>0.4</b>             | <b>(0.7)</b>                               | <b>7.6</b>                       | <b>1.9</b> |
| 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        |
| <b>Total</b>           | <b>0.3</b>                          | <b>0.0</b>         | <b>0.3</b>         | <b>0.0</b>                        | <b>0.1</b>             | <b>(0.2)</b>                               | <b>0.4</b>                       | <b>0.1</b> |
| 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        |
| <b>Total</b>           | <b>2.5</b>                          | <b>0.1</b>         | <b>1.3</b>         | <b>1.1</b>                        | <b>0.7</b>             | <b>0.3</b>                                 | <b>3.2</b>                       | <b>1.8</b> |
| 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        |
| <b>Total</b>           | <b>13.7</b>                         | <b>2.9</b>         | <b>7.1</b>         | <b>3.7</b>                        | <b>1.3</b>             | <b>(0.9)</b>                               | <b>15.0</b>                      | <b>5.0</b> |

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<sup>th</sup> 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

|  | 2013           | 2012           | end of<br>2011   | 13 / 12 | % change<br>12 / 11 |
|--|----------------|----------------|------------------|---------|---------------------|
| Assets (CHF million)   |                |                |                  |         |                     |
| Cash and due from banks  | 68,692         | 61,763         | 110,573          | 11      | (44)                |
| Central bank funds sold, securities<br>purchased under resale agreements<br>and securities borrowing<br>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)                 |
| <b>Total assets</b>  | <b>872,806</b> | <b>924,280</b> | <b>1,049,165</b> | (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,<br>securities sold under repurchase<br>agreements and securities lending<br>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)                |
| <b>Total liabilities</b>   | <b>825,640</b> | <b>881,996</b> | <b>1,008,080</b> | (6)     | (13)                |
| <b>Total shareholders' equity</b>  | <b>42,164</b>  | <b>35,498</b>  | <b>33,674</b>    | 19      | 5                   |
| Noncontrolling interests   | 5,002          | 6,786          | 7,411            | (26)    | (8)                 |
| <b>Total equity</b>  | <b>47,166</b>  | <b>42,284</b>  | <b>41,085</b>    | 12      | 3                   |
| <b>Total liabilities and equity</b>  | <b>872,806</b> | <b>924,280</b> | <b>1,049,165</b> | (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                 |
|---|----------------|---------------|---------------|---------------|----------------------|----------------------|
|   | Less           |               |               | More          |                      |                      |
|   | than           | 1 to 3        | 3 to 5        | than          | Total                | Total                |
| Payments due within                                 | 1 year         | years         | years         | 5 years       |                      |                      |
| 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 <sup>1</sup>                         | 21,114         | 37,263        | 31,656        | 40,009        | 130,042 <sub>2</sub> | 148,134 <sub>2</sub> |
| Contractual interest payments <sup>3</sup>          | 1,161          | 1,908         | 1,517         | 1,029         | 5,615 <sub>4</sub>   | 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                  |
| <b>Total obligations<sup>5</sup></b>                | <b>543,570</b> | <b>44,734</b> | <b>34,492</b> | <b>45,047</b> | <b>667,843</b>       | <b>676,042</b>       |

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.

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Corporate Governance and Compensation

Corporate Governance

Compensation

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## 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 by-laws provide for a quorum of at least 33 1/3 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 33 1/3 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](http://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](http://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 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<br>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          |
| <b>Number of employees</b>                  | <b>46,000</b> | <b>47,400</b> | <b>(3)</b> |
| 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](http://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](http://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

| end of   | 2013                   |            | 2012                 |            |
|--|------------------------|------------|----------------------|------------|
|  | Number of shareholders | %          | Number of shares     | %          |
| <b>Distribution of Group shares</b>            |                        |            |                      |            |
| Swiss  | 115,185                | 88         | 110,678,408          | 7          |
| Foreign  | 11,165                 | 9          | 14,322,072           | 1          |
| Private investors                              | 126,350                | 97         | 125,000,480          | 8          |
| Swiss  | 3,755                  | 3          | 168,732,633          | 11         |
| Foreign  | 631                    | 0          | 774,995,489          | 49         |
| Institutional investors                        | 4,386                  | 3          | 943,728,122          | 59         |
| <b>Shares registered in share register</b>     | <b>130,736</b>         | <b>100</b> | <b>1,068,728,602</b> | <b>67</b>  |
| of which                                       |                        |            |                      |            |
| Switzerland                                    | 118,941                | 91         | 279,411,046          | 18         |
| of which Europe                                | 10,590                 | 8          | 534,716,557          | 34         |
| of which US                                    | 184                    | 0          | 222,433,937          | 14         |
| of which Other                                 | 1,021                  | 1          | 32,167,062           | 2          |
| <b>Shares not registered in share register</b> | –                      | –          | <b>527,390,747</b>   | <b>33</b>  |
| <b>Total shares issued</b>                     | –                      | –          | <b>1,596,119,349</b> | <b>100</b> |



## Distribution of institutional investors in share register by industry

| end of                               | 2013                         |          |                        |           | 2012                         |          |                        |           |
|--------------------------------------|------------------------------|----------|------------------------|-----------|------------------------------|----------|------------------------|-----------|
|                                      | Number<br>of<br>shareholders | %        | Number<br>of<br>shares | %         | Number<br>of<br>shareholders | %        | Number<br>of<br>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 <sup>1</sup>                   | 2,164                        | 2        | 104,905,938            | 7         | 2,409                        | 2        | 96,910,802             | 7         |
| <b>Direct entries</b>                | <b>4,197</b>                 | <b>3</b> | <b>292,091,386</b>     | <b>18</b> | <b>4,480</b>                 | <b>3</b> | <b>217,961,221</b>     | <b>17</b> |
| <b>Fiduciary holdings</b>            | <b>189</b>                   | <b>0</b> | <b>651,636,736</b>     | <b>41</b> | <b>178</b>                   | <b>0</b> | <b>525,369,556</b>     | <b>40</b> |
| <b>Total institutional investors</b> | <b>4,386</b>                 | <b>3</b> | <b>943,728,122</b>     | <b>59</b> | <b>4,658</b>                 | <b>3</b> | <b>743,330,777</b>     | <b>56</b> |

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%, 33 1/3%, 50% or 66 2/3% 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](http://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](http://www.credit-suisse.com/articles).

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## Significant shareholders

|  | Group<br>publication<br>of<br>notification | Number<br>of<br>shares<br>(million) | Approximate<br>shareholding<br>% | Purchase<br>rights<br>% |
|--|--|-------------------------------------|----------------------------------|-------------------------|
| December 31, 2013 or the most recent notification date             |  |                                     |                                  |                         |
| The Olayan Group (registered entity – Crescent Holding GmbH)       | April 6,<br>2013                           | 88.5                                | 6.7                              | 7.9 <sub>1</sub>        |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | October 31,<br>2013                        | 82.0                                | 5.2                              | 16.5 <sub>2</sub>       |
| Harris Associates L.P.   | November<br>9, 2013                        | 81.5                                | 5.2                              | –                       |
| Dodge & Cox  | December<br>19, 2012                       | 63.5                                | 5.0                              | –                       |
| Franklin Resources, Inc.   | March 12,<br>2014                          | 57.6                                | 3.6                              | –                       |
| Norges Bank  | April 5,<br>2013                           | 39.8                                | 3.0                              | 1.6 <sub>3</sub>        |
| Capital Group Companies, Inc.                                      | January 22,<br>2013                        | 39.4                                | 3.1                              | 1.0 <sub>4</sub>        |
| BlackRock Inc.   | January 25,<br>2013                        | 38.6                                | 3.0                              | –                       |
| December 31, 2012 or the most recent notification date             |  |                                     |                                  |                         |
| The Olayan Group (registered entity – Crescent Holding GmbH)       | July 24,<br>2012                           | 78.4                                | 6.1                              | 10.9                    |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | April 30,<br>2011                          | 76.1                                | 6.2                              | –                       |
| Dodge & Cox  | December<br>19, 2012                       | 63.5                                | 5.0                              | –                       |
| Franklin Resources, Inc.   | September<br>14, 2012                      | 57.3                                | 4.5                              | –                       |
| Capital Group Companies, Inc.                                      | January 22,<br>2013                        | 39.4                                | 3.1                              | 1.0                     |
| BlackRock Inc.   | January 25,<br>2013                        | 38.6                                | 3.0                              | –                       |
| Harris Associates L.P.   | May 17,<br>2012                            | 36.9                                | 3.0                              | –                       |
| Norges Bank  | August 3,<br>2012                          | 28.0                                | 2.2                              | 1.7                     |
| December 31, 2011  |  |                                     |                                  |                         |
| The Olayan Group (registered entity – Crescent Holding GmbH)       | February 2,<br>2010                        | 77.8                                | 6.6                              | –                       |
| Qatar Investment Authority (registered entity – Qatar Holding LLC) | April 30,<br>2011                          | 73.2                                | 6.2                              | –                       |
| Dodge & Cox  | December<br>15, 2011                       | 35.9                                | 3.0                              | –                       |
| Franklin Resources, Inc.   | December<br>15, 2011                       | 35.7                                | 3.0                              | –                       |

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<br>member<br>since | Current<br>term<br>end | Independence             | Chairman's<br>and<br>Governance<br>Committee | Audit<br>Committee | Compensation<br>Committee | Risk<br>Committee |
|--|--------------------------|------------------------|--------------------------|--|--------------------|---------------------------|-------------------|
| December 31, 2013                        |                          |                        |                          |  |                    |                           |                   |
| Urs Rohner, Chairman                     | 2009                     | 2014                   | Independent              | Chairman                                     | –                  | –                         | –                 |
| Peter Brabeck-Letmathe,<br>Vice-Chairman | 1997                     | 2014                   | Independent              | Member                                       | –                  | –                         | –                 |
| Jassim Bin Hamad J.J. Al<br>Thani        | 2010                     | 2014                   | Not<br>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 <sup>1</sup> | –  | –                  | –                         | 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.

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<br>Directors <sup>1</sup> | Chairman's<br>and<br>Governance<br>Committee | Audit<br>Committee | Compensation<br>Committee | Risk<br>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. Koopmann 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 Brussels 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 Guldemann 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 Shared Services |
| Romeo Cerutti, General Counsel  | 2009         | Head Shared Services                       |
| Tobias Guldemann, CRO <sup>1</sup>  | 2004         | Head Shared Services                       |
| David R. Mathers, CFO and Head of IT and Operations   | 2010         | Head                                       |
| Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO of Switzerland                  | 2008         | Divisional & Regional Head Shared Services |
| Joachim Oechslin, CRO <sup>2</sup>  | 2013         | 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 Guldemann.

Biographies of the Executive Board members

Brady W. Dougan  
Born 1959 US 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  
Born 1967 French Citizen

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 Guldemann

Born 1961 Swiss Citizen

Tobias Guldemann 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. Guldemann 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. Guldemann studied Economics at the University of Zurich and received a doctorate from the same university in 1989.

Mr. Guldemann 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 33 1/3% 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 <sup>1</sup>                  | 36.7 | 39.7 | (8)      |
| Audit-related services <sup>2</sup>          | 6.4  | 6.5  | (2)      |
| Tax services <sup>3</sup>                    | 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.

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## 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

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## 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 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](http://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](http://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<sup>1</sup>

##### 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

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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.

#### 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<br>For             | 2013             |              |                 | 2012 <sup>1</sup> |                  |                 |
|---|------------------|--------------|-----------------|-------------------|------------------|-----------------|
|   | 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 <sup>2</sup> | –            | 800             | 837 <sup>2</sup>  | –                | 837             |
| <b>Total fixed compensation</b>               | <b>7,103</b>     | <b>–</b>     | <b>7,103</b>    | <b>7,669</b>      | <b>–</b>         | <b>7,669</b>    |
| Variable incentive compensation (CHF million) |                  |              |                 |                   |                  |                 |
| Unrestricted cash                             | 1,570            | –            | 1,570           | 1,202             | –                | 1,202           |
| Share awards                                  | 18               | 827          | 845             | 6                 | 950 <sup>3</sup> | 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             |
| <b>Total variable incentive compensation</b>  | <b>1,588</b>     | <b>2,023</b> | <b>3,611</b>    | <b>1,208</b>      | <b>2,215</b>     | <b>3,423</b>    |
| 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             |
| <b>Total other variable compensation</b>      | <b>329</b>       | <b>62</b>    | <b>391</b>      | <b>418</b>        | <b>79</b>        | <b>497</b>      |
| Total compensation awarded (CHF million)      |                  |              |                 |                   |                  |                 |
| <b>Total compensation awarded</b>             | <b>9,020</b>     | <b>2,085</b> | <b>11,105</b>   | <b>9,295</b>      | <b>2,294</b>     | <b>11,589</b>   |
| of which guaranteed bonuses                   | –                | –            | 55 <sup>4</sup> | –                 | –                | 69 <sup>4</sup> |

<sup>1</sup> Represents awards made in 2012, not adjusted for discontinued operations.

<sup>2</sup>

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.

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## Number of employees awarded variable and other compensation

|   | Other             |               | 2013               |                   | Other         |                    | 2012              |       |
|---|-------------------|---------------|--------------------|-------------------|---------------|--------------------|-------------------|-------|
|   | MRTC <sup>1</sup> | employees     | Total              | MRTC <sup>1</sup> | employees     | Total              | MRTC <sup>1</sup> | Total |
| Number of employees awarded variable compensation       |                   |               |                    |                   |               |                    |                   |       |
| <b>Variable compensation</b>                            | <b>503</b>        | <b>41,220</b> | <b>41,723</b>      | <b>523</b>        | <b>41,959</b> | <b>42,482</b>      |                   |       |
| 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 <sup>2</sup> | 9                 | 3,056         | 3,065 <sup>2</sup> |                   |       |
| 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   | 2013         |          |            | 2012         |          |            |
|---|--------------|----------|------------|--------------|----------|------------|
|   | Unrestricted | Deferred | Total      | Unrestricted | Deferred | Total      |
| Fixed compensation (CHF million)              |              |          |            |              |          |            |
| <b>Total fixed compensation</b>               | <b>247</b>   | <b>–</b> | <b>247</b> | <b>275</b>   | <b>–</b> | <b>275</b> |
| 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         |

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|  |            |            |              |            |            |              |
|--|------------|------------|--------------|------------|------------|--------------|
| Other cash awards                            | –          | 125        | 125          | 2          | 33         | 35           |
| <b>Total variable incentive compensation</b> | <b>138</b> | <b>964</b> | <b>1,102</b> | <b>79</b>  | <b>914</b> | <b>993</b>   |
| 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            |
| <b>Total other variable compensation</b>     | <b>1</b>   | <b>5</b>   | <b>6</b>     | <b>5</b>   | <b>9</b>   | <b>14</b>    |
| Total compensation (CHF million)             |            |            |              |            |            |              |
| <b>Total compensation</b>                    | <b>386</b> | <b>969</b> | <b>1,355</b> | <b>359</b> | <b>923</b> | <b>1,282</b> |
| of which guaranteed bonuses <sup>1</sup>     | 3          | 11         | 14           | 1          | 4          | 5            |

<sup>1</sup>  
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                         |                               |              |
|---|------------------------------|-------------------------------|--------------|------------------------------|-------------------------------|--------------|
|   | Current<br>compen-<br>sation | Deferred<br>compen-<br>sation | Total        | Current<br>compen-<br>sation | Deferred<br>compen-<br>sation | Total        |
| December 31   |                              |                               |              |                              |                               |              |
| Fixed compensation expense (CHF million)              |                              |                               |              |                              |                               |              |
| Salaries  | 5,525                        | –                             | 5,525        | 5,923                        | –                             | 5,923        |
| Social security <sup>1</sup>                          | 778                          | –                             | 778          | 769                          | –                             | 769          |
| Other   | 800 <sub>2</sub>             | –                             | 800          | 817 <sub>2</sub>             | –                             | 817          |
| <b>Total fixed compensation expense</b>               | <b>7,103</b>                 | <b>–</b>                      | <b>7,103</b> | <b>7,509</b>                 | <b>–</b>                      | <b>7,509</b> |
| Variable incentive compensation expense (CHF million) |                              |                               |              |                              |                               |              |
| Unrestricted cash                                     | 1,570                        | –                             | 1,570        | 1,202                        | –                             | 1,202        |
| Share awards  | 18                           | 814 <sub>3</sub>              | 832          | 6                            | 786 <sub>3</sub>              | 792          |
| Performance share awards                              | –                            | 590                           | 590          | –                            | 366                           | 366          |
| Plus Bond awards <sup>4</sup>                         | –                            | 37                            | 37           | 187                          | –                             | 187          |
| 2011 Partner Asset Facility awards <sup>5</sup>       | –                            | 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 <sup>6</sup>                    | –                            | (3)                           | (3)          | –                            | 62                            | 62           |
| 2008 Partner Asset Facility awards <sup>5</sup>       | –                            | 93                            | 93           | –                            | 173                           | 173          |
| Other cash awards                                     | –                            | 434                           | 434          | –                            | 362                           | 362          |
| Discontinued operations                               | (6)                          | (21)                          | (27)         | (44)                         | (23)                          | (67)         |
| <b>Total variable incentive compensation expense</b>  | <b>1,582</b>                 | <b>2,242</b>                  | <b>3,824</b> | <b>1,351</b>                 | <b>3,025</b>                  | <b>4,376</b> |
| Other variable compensation expense (CHF million)     |                              |                               |              |                              |                               |              |
| Severance payments                                    | 113                          | –                             | 113          | 251                          | –                             | 251          |
| Sign-on payments                                      | 18                           | –                             | 18           | 10                           | –                             | 10           |
| Commissions   | 198                          | –                             | 198          | 157                          | –                             | 157          |
| <b>Total other variable compensation expense</b>      | <b>329</b>                   | <b>–</b>                      | <b>329</b>   | <b>418</b>                   | <b>–</b>                      | <b>418</b>   |
| Total compensation expense (CHF million)              |                              |                               |              |                              |                               |              |

|                                   |              |              |                           |              |              |                           |
|-----------------------------------|--------------|--------------|---------------------------|--------------|--------------|---------------------------|
| <b>Total compensation expense</b> | <b>9,014</b> | <b>2,242</b> | <b>11,256<sub>7</sub></b> | <b>9,278</b> | <b>3,025</b> | <b>12,303<sub>7</sub></b> |
|-----------------------------------|--------------|--------------|---------------------------|--------------|--------------|---------------------------|

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.

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## 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 |                       |              | Deferred compensation |                       |              |
|---|-----------------------|-----------------------|--------------|-----------------------|-----------------------|--------------|
|   | For 2013              | For prior-year awards | Total        | For 2012              | For prior-year awards | Total        |
| Estimated unrecognized compensation expense (CHF million) |                       |                       |              |                       |                       |              |
| Share awards  | 823                   | 804 <sub>1</sub>      | 1,627        | 935                   | 706 <sub>1</sub>      | 1,641        |
| Performance share awards                                  | 660                   | 221                   | 881          | 677                   | 161                   | 838          |
| Contingent Capital Awards                                 | 433                   | –                     | 433          | –                     | –                     | –            |
| Plus Bond awards <sup>2</sup>                             | –                     | 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          |
| <b>Estimated unrecognized compensation expense</b>        | <b>2,052</b>          | <b>1,314</b>          | <b>3,366</b> | <b>2,066</b>          | <b>1,108</b>          | <b>3,174</b> |

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

| in / end   | 2012 | Change in value |          | 2013 |
|--|------|-----------------|----------|------|
|  |      | Implicit        | Explicit |      |
| 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 <sup>1</sup>             | 22.3 | 5.0             | 0.0      | 27.3 |
| Share awards granted for 2011 <sup>2</sup>             | 22.3 | 5.0             | 0.0      | 27.3 |
| Share awards granted for 2012 <sup>3</sup>             | 24.6 | 2.7             | 0.0      | 27.3 |
| Performance share awards granted for 2011 <sup>2</sup> | 22.3 | 5.0             | 0.0      | 27.3 |
| Performance share awards granted for 2012 <sup>3</sup> | 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.

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## 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.

## 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

| in  | Net revenues  |               | Total operating expenses |               | Core pre-tax income |              | Net income attributable to shareholders |                           |
|---|---------------|---------------|--------------------------|---------------|---------------------|--------------|---|---------------------------|
|   | 2013          | 2012          | 2013                     | 2012          | 2013                | 2012         | 2013                                    | 2012                      |
| Overview of significant items (CHF million)                       |               |               |                          |               |                     |              |   |                           |
| <b>Reported results</b>   | <b>25,217</b> | <b>23,251</b> | <b>21,546</b>            | <b>21,193</b> | <b>3,504</b>        | <b>1,888</b> | <b>2,326</b> <sub>1</sub>               | <b>1,349</b> <sub>1</sub> |
| <b>Cost/income ratio (%)</b>                                      | –             | –             | –                        | –             | <b>85.4</b>         | <b>91.1</b>  | –                                       | –                         |
| <b>Reported return on equity attributable to shareholders (%)</b> | –             | –             | –                        | –             | –                   | –            | <b>5.7</b>                              | <b>3.9</b>                |
| 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               | 363          | 1,038                                   | 230                       |
| Business disposals  | 13            | (388)         | 4                        | 0             | 94                  | (388)        | (96)                                    | (336)                     |
| Impairment and other losses                                       | 86            | 68            | (12)                     | 0             | 98                  | 687          | 63                                      | 41                        |
| Gain on sale of real estate                                       | (68)          | (533)         | 0                        | 0             | (68)                | (533)        | (61)                                    | (445)                     |
| UK deferred tax asset reduction <sup>8</sup>                      | 0             | 0             | 0                        | 0             | 0                   | 0            | 173                                     | 160                       |
| <b>Underlying results</b>   | <b>25,544</b> | <b>25,325</b> | <b>19,632</b>            | <b>20,138</b> | <b>5,745</b>        | <b>5,017</b> | <b>4,097</b>                            | <b>3,737</b>              |

|   |   |   |   |   |             |             |             |             |
|---|---|---|---|---|-------------|-------------|-------------|-------------|
| <b>Underlying cost/income ratio (%)</b>                             | - | - | - | - | <b>76.9</b> | <b>79.5</b> | -           | -           |
| <b>Underlying return on equity attributable to shareholders (%)</b> | - | - | - | - | -           | -           | <b>10.0</b> | <b>10.4</b> |

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

| in  | Net revenues  |               | Total operating expenses |              | Pre-tax income <sup>1</sup> |                    | Cost/income ratio (%) |             |
|---|---------------|---------------|--------------------------|--------------|-----------------------------|--------------------|-----------------------|-------------|
|   | 2013          | 2012          | 2013                     | 2012         | 2013                        | 2012               | 2013                  | 2012        |
| Overview of significant items (CHF million) |               |               |                          |              |                             |                    |                       |             |
| <b>Reported results</b>                     | <b>13,442</b> | <b>13,474</b> | <b>10,050</b>            | <b>9,517</b> | <b>3,240</b>                | <b>3,775</b>       | <b>74.8</b>           | <b>70.6</b> |
| Reconciling items                           |               |               |                          |              |                             |                    |                       |             |
| Certain litigation provisions               | 0             | 0             | (600)                    | 0            | 600 <sup>2</sup>            | 0                  | –                     | –           |
| Business disposals                          | (305)         | (388)         | (89)                     | 0            | (216) <sup>3</sup>          | (388) <sup>4</sup> | –                     | –           |
| Impairment and other losses                 | 86            | 68            | (12)                     | 0            | 98 <sup>5</sup>             | 68 <sup>6</sup>    | –                     | –           |
| <b>Underlying results</b>                   | <b>13,223</b> | <b>13,154</b> | <b>9,349</b>             | <b>9,517</b> | <b>3,722</b>                | <b>3,455</b>       | <b>70.7</b>           | <b>72.4</b> |

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 CFG 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

| in  | Net revenues  |               | Total operating expenses |               | Pre-tax income   |                  | Return on allocated capital (%) |                        |
|---|---------------|---------------|--------------------------|---------------|------------------|------------------|---------------------------------|------------------------|
|   | 2013          | 2012          | 2013                     | 2012          | 2013             | 2012             | 2013                            | 2012                   |
| Overview of significant items (CHF million) |               |               |                          |               |                  |                  |                                 |                        |
| <b>Reported results</b>                     | <b>12,565</b> | <b>12,558</b> | <b>10,833</b>            | <b>10,568</b> | <b>1,719</b>     | <b>2,002</b>     | <b>6.8</b>                      | <b>7.2</b>             |
| Reconciling items                           |               |               |                          |               |                  |                  |                                 |                        |
| Certain litigation provisions               |               |               |                          |               |                  |                  |                                 |                        |
|   | 0             | 0             | (765)                    | (136)         | 765 <sup>1</sup> | 136 <sup>2</sup> | –                               | –                      |
| <b>Underlying results</b>                   | <b>12,565</b> | <b>12,558</b> | <b>10,068</b>            | <b>10,432</b> | <b>2,484</b>     | <b>2,138</b>     | <b>9.8<sub>3</sub></b>          | <b>7.7<sub>3</sub></b> |

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

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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       |                                   |     |                                   |     |
| <b>Short-term awards</b>         |                                   |     |                                   |     |
| 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 |
| <b>Long-term incentive award</b> | 0.8 – 2.1                         | 1.3 | 1.5 – 3.5                         | 2.0 |

#### Executive Board compensation for 2013

|   | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits <sup>1</sup> | Dividend equivalents <sup>2</sup> | Payments and awards due to contractual agreements <sup>3</sup> | Total compensation <sup>4</sup> |
|---|-------------|-------------------|---------------------|---------------------|--|-----------------------------------|--|---------------------------------|
| in 2013 (CHF million, except where indicated) |             |                   |                     |                     |  |                                   |  |                                 |
| 9 members                                     | 14.08       | 3.93              | 21.86 <sub>5</sub>  | 21.58               | 0.58   | 2.74                              | –  | <b>64.77</b>                    |
| % 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                              | –  | <b>9.79</b>                     |
| % 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

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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

|   | Base salary | Unrestricted cash  | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits <sup>1</sup> | Dividend equivalents <sup>2</sup> | Payments and awards due to contractual agreements <sup>3</sup> | Total compensation <sup>4</sup> |
|---|-------------|--------------------|---------------------|---------------------|--|-----------------------------------|--|---------------------------------|
| in 2012 (CHF million, except where indicated) |             |                    |                     |                     |  |                                   |  |                                 |
| 13 members <sup>5</sup>                       | 17.75       | 13.56 <sub>6</sub> | 20.95 <sub>7</sub>  | 15.40               | 4.28   | 2.18                              | –  | <b>74.12</b>                    |
| % of total compensation                       | 24%         | 18%                | 28%                 | 21%                 |  |                                   |  |                                 |
| of which highest paid: Robert Shafir          | 1.40        | 0.70               | 3.50                | 2.80                | 1.91 <sub>8</sub>  | 0.28                              | –  | <b>10.59</b>                    |
| % 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                              | –  | <b>7.77</b>                     |
| % of total compensation                       | 32%         | 6%                 | 32%                 | 26%                 |  |                                   |  |                                 |

<sup>1</sup> Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest.

<sup>2</sup> 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.

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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 Guldemann, 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. Guldemann 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<br>owned<br>shares <sup>1</sup> | Number of<br>unvested<br>share<br>awards | Number of<br>owned<br>shares<br>and<br>unvested<br>share<br>awards | Number<br>of<br>unvested<br>SISUs | Number<br>of<br>options | Value of<br>unvested<br>awards at<br>grant (CHF) | Current<br>value of<br>unvested<br>awards<br>(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 Guldimmann   | –   | 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  |
| <b>Total</b>        | <b>2,289,007</b>                          | <b>3,282,011</b>                         | <b>5,571,018</b>   | <b>192,439</b>                    | <b>–</b>                | <b>91,474,949</b>                                | <b>94,748,252</b>                                  |
| 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 Guldimmann   | 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 <sup>2</sup>      | 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   |
| <b>Total</b>        | <b>1,677,465<sup>3</sup></b>              | <b>3,804,568</b>                         | <b>5,482,033</b>   | <b>322,312</b>                    | <b>1,095</b>            | <b>103,527,465</b>                               | <b>110,187,696</b>                                 |

<sup>1</sup> 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

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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       |                                   |     |                                   |     |
| <b>Short-term awards</b>         |                                   |     |                                   |     |
| 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 |
| <b>Long-term incentive award</b> | 0.8 – 2.1                         | 1.4 | 1.5 – 3.5                         | 2.0 |

#### 2014 performance criteria for the Executive Board

|  | CEO | Divisional |     | Shared        |       | Performance objectives to meet target              |
|--|-----|------------|-----|---------------|-------|--|
|  |     | PB&WM      | IB  | Services head | Other |  |
| Financial performance criteria (60% weighting)           |     |            |     |               |       |  |
| Group ROE (after tax) – strategic results <sup>1</sup>   | 30% | 30%        | 30% | 25%           | 25%   | 12.5% Group ROE based on strategic results         |
| Group cost/income ratio – strategic results <sup>1</sup> | 20% | –          | –   | 15%           | 20%   | 71.0% Group cost/income based on strategic results |
|  | 10% | 10%        | 10% | 10%           | –     | 3,4  |

|  |     |       |       |     |     |  |
|--|-----|-------|-------|-----|-----|--|
| Wind-down of non-strategic units <sup>2</sup>          |     |       |       |     |     | 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)                        |
| Divisional return on allocated capital <sup>5, 6</sup> | –   | – 20% | –     | –   | –   | 11.5% return on allocated capital  |
| Divisional cost/income ratio <sup>5</sup>              | –   | 20%   | –     | –   | –   | 69.0% divisional cost/income   |
| Divisional total operating expenses <sup>5</sup>       | –   | –     | – 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.

#### 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<br>2013/2014 (CHF)   | Base<br>board<br>fee | Committee<br>fee | Additional<br>fees <sup>1</sup> | Other<br>compen-<br>sation<br>categories <sup>2</sup> | Total<br>compen-<br>sation | Awarded<br>in cash | % of<br>total<br>compen-<br>sation | Awarded<br>in Group<br>shares | % of<br>total<br>compen-<br>sation |
|---|----------------------|------------------|---------------------------------|---|----------------------------|--------------------|------------------------------------|-------------------------------|------------------------------------|
| Urs Rohner,<br>Chairman <sup>4</sup>  | 2,500,000            | –                | 2,250,000                       | 153,260   | 4,903,260                  | 3,778,260          | 77%                                | 1,125,000                     | 23%                                |
| Peter<br>Brabeck-Letmathe,<br>Vice-Chairman <sup>5</sup>                    | 400,000              | –                | –                               | –   | 400,000                    | 200,000            | 50%                                | 200,000                       | 50%                                |
| Jassim Bin Hamad<br>J.J. Al Thani <sup>5</sup>                              | 250,000              | –                | –                               | –   | 250,000                    | 125,000            | 50%                                | 125,000                       | 50%                                |
| Iris Bohnet <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Noreen Doyle <sup>5</sup>   | 250,000              | 100,000          | 294,000                         | –   | 644,000                    | 469,000            | 73%                                | 175,000                       | 27%                                |
| Jean-Daniel<br>Gerber <sup>5</sup>  | 250,000              | 150,000          | –                               | –   | 400,000                    | 200,000            | 50%                                | 200,000                       | 50%                                |
| Walter B.<br>Kielholz <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Andreas N.<br>Koopmann <sup>5</sup>   | 250,000              | 200,000          | –                               | –   | 450,000                    | 225,000            | 50%                                | 225,000                       | 50%                                |
| Jean Lanier,<br>Chairman of the<br>Compensation<br>Committee <sup>4</sup>   | 400,000              | –                | 400,000                         | –   | 800,000                    | 600,000            | 75%                                | 200,000                       | 25%                                |
| Kai S. Nargolwala <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Anton van<br>Rossum <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Richard E.<br>Thornburgh,<br>Chairman of the<br>Risk Committee <sup>4</sup> | 400,000              | –                | 1,000,000                       | –   | 1,400,000                  | 900,000            | 64%                                | 500,000                       | 36%                                |
| John Tiner,<br>Chairman of the<br>Audit Committee <sup>4</sup>              | 400,000              | –                | 1,000,000                       | –   | 1,400,000                  | 900,000            | 64%                                | 500,000                       | 36%                                |
| <b>Total</b>  | <b>6,100,000</b>     | <b>850,000</b>   | <b>4,944,000</b>                | <b>153,260</b>  | <b>12,047,260</b>          | <b>8,097,260</b>   | <b>67%</b>                         | <b>3,950,000</b>              | <b>33%</b>                         |

Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees of CHF (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 J. Lanier as Chairman of the Compensation Committee in 2013, a role to which he was appointed as of the 2013 AGM on April 2

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 in cash and/or shares as determined by the Board in the course of the regular compensation process. The additional fees paid to the committee chairmen covered their regular memberships in other committees that they do not chair. The additional fees awarded to four individuals for 2013 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 28.78.

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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 April 26, 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 of the 2013 AGM was CHF 26.83.

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## Board compensation for 2012

| in<br>2012/2013 (CHF)   | Base<br>board<br>fee | Committee<br>fee | Additional<br>fees <sup>1</sup> | Other<br>compen-<br>sation<br>categories <sup>2</sup> | Total<br>compen-<br>sation | Awarded<br>in cash | % of<br>total<br>compen-<br>sation | Awarded<br>in Group<br>shares | % of<br>total<br>compen-<br>sation |
|---|----------------------|------------------|---------------------------------|---|----------------------------|--------------------|------------------------------------|-------------------------------|------------------------------------|
| Urs Rohner,<br>Chairman <sup>4</sup>  | 2,500,000            |                  | – 2,500,000                     | 234,881   | 5,234,881                  | 3,984,881          | 76%                                | 1,250,000                     | 24%                                |
| Peter<br>Brabeck-Letmathe,<br>Vice-Chairman <sup>5</sup>                        | 400,000              |                  | –                               | –   | 400,000                    | 200,000            | 50%                                | 200,000                       | 50%                                |
| Jassim Bin Hamad<br>J.J. Al Thani <sup>5</sup>                                  | 250,000              |                  | –                               | –   | 250,000                    | 125,000            | 50%                                | 125,000                       | 50%                                |
| Robert H.<br>Benmosche <sup>5</sup>   | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Iris Bohnet <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Noreen Doyle <sup>5</sup>   | 250,000              | 100,000          | 182,600                         | –   | 532,600                    | 357,600            | 67%                                | 175,000                       | 33%                                |
| Jean-Daniel<br>Gerber <sup>5</sup>  | 250,000              | 150,000          | –                               | –   | 400,000                    | 200,000            | 50%                                | 200,000                       | 50%                                |
| Walter B.<br>Kielholz <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Andreas N.<br>Koopmann <sup>5</sup>   | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Jean Lanier <sup>5</sup>  | 250,000              | 250,000          | –                               | –   | 500,000                    | 250,000            | 50%                                | 250,000                       | 50%                                |
| Anton van<br>Rossum <sup>5</sup>  | 250,000              | 100,000          | –                               | –   | 350,000                    | 175,000            | 50%                                | 175,000                       | 50%                                |
| Aziz R.D. Syriani,<br>Chairman of the<br>Compensation<br>Committee <sup>4</sup> | 350,000              |                  | – 400,000                       | –   | 750,000                    | 522,500            | 70%                                | 227,500                       | 30%                                |
| David W. Syz <sup>5</sup>   | 250,000              | 150,000          | –                               | –   | 400,000                    | 200,000            | 50%                                | 200,000                       | 50%                                |
| Richard E.<br>Thornburgh,<br>Chairman of the<br>Risk Committee <sup>4</sup>     | 400,000              |                  | – 1,000,000                     | –   | 1,400,000                  | 900,000            | 64%                                | 500,000                       | 36%                                |
| John Tiner,<br>Chairman of the<br>Audit Committee <sup>4</sup>                  | 400,000              |                  | – 1,000,000                     | –   | 1,400,000                  | 900,000            | 64%                                | 500,000                       | 36%                                |
| <b>Total</b>  | <b>6,550,000</b>     | <b>1,150,000</b> | <b>5,082,600</b>                | <b>234,881</b>  | <b>13,017,481</b>          | <b>8,514,981</b>   | <b>65%</b>                         | <b>4,502,500</b>              | <b>35%</b>                         |

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 she 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 in cash and/or share awards as determined by the Board in the course of the regular compensation process. The additional fees to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF

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.

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## 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) <sup>1</sup> |                  |                                 |
| 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                          |
| <b>Total</b>                      | <b>1,311,011</b> | <b>1,094,886</b> <sup>2,3</sup> |

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<br>in<br>December 31 (CHF) | 2013              | 2012                           |
|--|-------------------|--------------------------------|
| 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           | –                              |
| <b>Total</b> <sup>1</sup>                            | <b>54,756,326</b> | <b>39,529,684</b> <sub>2</sub> |

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  $\ggg$ 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  $\ggg$ 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.

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Report of the Independent Registered Public Accounting Firm

Credit Suisse Group AG, Zurich

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

Anthony Anzevino

*Licensed Audit Expert*

*Global Lead Partner*

*Auditor in Charge*

Zurich, Switzerland

April 3, 2014

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## Consolidated financial statements

## Consolidated statements of operations

|   | Reference<br>to notes | 2013          | 2012          | in<br>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         |
| <b>Net revenues</b>   |                       | <b>25,856</b> | <b>23,611</b> | <b>25,891</b> |
| <b>Provision for credit losses</b>                                | 10                    | <b>167</b>    | <b>170</b>    | <b>187</b>    |
| 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         |
| <b>Total operating expenses</b>                                   |                       | <b>21,593</b> | <b>21,251</b> | <b>22,233</b> |
| <b>Income from continuing operations<br/>before taxes</b>         |                       | <b>4,096</b>  | <b>2,190</b>  | <b>3,471</b>  |
| Income tax expense  | 27                    | 1,276         | 465           | 656           |
| <b>Income from continuing operations</b>                          |                       | <b>2,820</b>  | <b>1,725</b>  | <b>2,815</b>  |
| Income/(loss) from discontinued<br>operations, net of tax         | 4                     | 145           | (40)          | (25)          |
| <b>Net income</b>   |                       | <b>2,965</b>  | <b>1,685</b>  | <b>2,790</b>  |
| Net income attributable to noncontrolling<br>interests            |                       | 639           | 336           | 837           |
| <b>Net income/(loss) attributable to<br/>shareholders</b>         |                       | <b>2,326</b>  | <b>1,349</b>  | <b>1,953</b>  |
| 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<br>operations            | 13                    | 1.14          | 0.82          | 1.34          |
| Basic earnings/(loss) per share from<br>discontinued operations   | 13                    | 0.08          | (0.03)        | (0.02)        |
| <b>Basic earnings per share</b>                                   | 13                    | <b>1.22</b>   | <b>0.79</b>   | <b>1.32</b>   |
| Diluted earnings per share (CHF)                                  |                       |               |               |               |
| Diluted earnings per share from<br>continuing operations          | 13                    | 1.14          | 0.82          | 1.34          |
| Diluted earnings/(loss) per share from<br>discontinued operations | 13                    | 0.08          | (0.03)        | (0.02)        |
| <b>Diluted earnings per share</b>                                 | 13                    | <b>1.22</b>   | <b>0.79</b>   | <b>1.32</b>   |
| Consolidated statements of comprehensive income                   |                       |               |               |               |
| in  |                       | 2013          | 2012          | 2011          |

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|   |              |            |              |
|---|--------------|------------|--------------|
| 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)        |
| <b>Comprehensive income</b>                                   | <b>2,879</b> | <b>791</b> | <b>2,256</b> |
| Comprehensive income attributable to noncontrolling interests | 525          | 211        | 882          |
| <b>Comprehensive income attributable to shareholders</b>      | <b>2,354</b> | <b>580</b> | <b>1,374</b> |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets

|   | Reference<br>to notes | 2013           | end of<br>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<br>under resale agreements and securities borrowing<br>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          | —              |
| <b>Total assets</b>   |                       | <b>872,806</b> | <b>924,280</b> |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (continued)

|   | Reference<br>to notes | 2013           | end of<br>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<br>under repurchase agreements and securities<br>lending transactions | 14                    | 94,032         | 132,721        |
| of which reported at fair value   |                       | 76,104         | 108,784        |
| Obligation to return securities received as<br>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<br>held-for-sale   |                       | 1,140          | —              |
| <b>Total liabilities</b>  |                       | <b>825,640</b> | <b>881,996</b> |
| 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)       |
| <b>Total shareholders' equity</b>   |                       | <b>42,164</b>  | <b>35,498</b>  |
| Noncontrolling interests  |                       | 5,002          | 6,786          |
| <b>Total equity</b>   |                       | <b>47,166</b>  | <b>42,284</b>  |
| <b>Total liabilities and equity</b>   |                       | <b>872,806</b> | <b>924,280</b> |

|                              | Reference<br>to notes | 2013 | end of<br>2012 |
|------------------------------|-----------------------|------|----------------|
| Additional share information |                       |      |                |
| Par value (CHF)              |                       | 0.04 | 0.04           |

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|                                |    |               |               |
|--------------------------------|----|---------------|---------------|
| Authorized shares <sup>1</sup> |    | 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.

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## Consolidated statements of changes in equity

|   | Attributable to shareholders |                            |                   |                          |  |                            |                           | Total equity  |
|---|------------------------------|----------------------------|-------------------|--------------------------|--|----------------------------|---------------------------|---------------|
|   | Common shares                | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumulated other comprehensive income | Total shareholders' equity | Non-controlling interests |               |
| 2013 (CHF million)  |                              |                            |                   |                          |  |                            |                           |               |
| <b>Balance at beginning of period</b>   | <b>53</b>                    | <b>23,636</b>              | <b>28,171</b>     | <b>(459)</b>             | <b>(15,903)</b>                        | <b>35,498</b>              | <b>6,786</b>              | <b>42,284</b> |
| 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 <sup>1,2</sup> | –                            | –                          | –                 | –                        | –                                      | –                          | (2,467)                   | (2,467)       |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership <sup>2</sup>          | –                            | –                          | –                 | –                        | –                                      | –                          | 438                       | 438           |
| Net income/(loss)   | –                            | –                          | 2,326             | –                        | –                                      | 2,326                      | 651 <sub>3</sub>          | 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 <sub>4</sub>           | –                 | 162                      | –                                      | 375                        | –                         | 375           |
| Financial instruments indexed to own shares <sup>5</sup>  | –                            | (93)                       | –                 | –                        | –                                      | (93)                       | –                         | (93)          |
| Dividends paid  | –                            | (269) <sub>6</sub>         | (236)             | –                        | –                                      | (505)                      | (59)                      | (564)         |
| Changes in redeemable noncontrolling interests  | –                            | (13)                       | –                 | –                        | –                                      | (13)                       | –                         | (13)          |
| Changes in scope of consolidation, net  | –                            | –                          | –                 | –                        | –                                      | –                          | (211)                     | (211)         |

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|   |           |               |               |              |                 |               |              |               |
|---|-----------|---------------|---------------|--------------|-----------------|---------------|--------------|---------------|
| Other   | –         | (9)           | –             | –            | –               | (9)           | –            | (9)           |
| <b>Balance at end of period</b>   | <b>64</b> | <b>27,853</b> | <b>30,261</b> | <b>(139)</b> | <b>(15,875)</b> | <b>42,164</b> | <b>5,002</b> | <b>47,166</b> |
| 2012 (CHF million)  |           |               |               |              |                 |               |              |               |
| <b>Balance at beginning of period</b>   | <b>49</b> | <b>21,796</b> | <b>27,053</b> | <b>(90)</b>  | <b>(15,134)</b> | <b>33,674</b> | <b>7,411</b> | <b>41,085</b> |
| 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)          |
| <b>Balance at end of period</b>   | <b>53</b> | <b>23,636</b> | <b>28,171</b> | <b>(459)</b> | <b>(15,903)</b> | <b>35,498</b> | <b>6,786</b> | <b>42,284</b> |

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.

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## Consolidated statements of changes in equity (continued)

|   | Attributable to shareholders |                                  |                      |                                |   |                                       |                                  |                 |
|---|------------------------------|----------------------------------|----------------------|--------------------------------|---|---------------------------------------|----------------------------------|-----------------|
|   | Common<br>shares             | Additional<br>paid-in<br>capital | Retained<br>earnings | Treasury<br>shares,<br>at cost | Accumu-<br>lated<br>other<br>compre-<br>hensive<br>income | Total<br>share-<br>holders'<br>equity | Non-<br>controlling<br>interests | Total<br>equity |
| 2011 (CHF million)  |                              |                                  |                      |                                |   |                                       |                                  |                 |
| <b>Balance at beginning<br/>of period</b>   | <b>47</b>                    | <b>23,026</b>                    | <b>25,316</b>        | <b>(552)</b>                   | <b>(14,555)</b>   | <b>33,282</b>                         | <b>9,733</b>                     | <b>43,015</b>   |
| Purchase of<br>subsidiary shares<br>from non- controlling<br>interests, changing<br>ownership     | –                            | 6                                | –                    | –                              | –   | 6                                     | (106)                            | (100)           |
| Purchase of<br>subsidiary shares<br>from non- controlling<br>interests, not changing<br>ownership | –                            | –                                | –                    | –                              | –   | –                                     | (3,042)                          | (3,042)         |
| Sale of subsidiary<br>shares to<br>noncontrolling<br>interests, changing<br>ownership             | –                            | (7)                              | –                    | –                              | –   | (7)                                   | 7                                | –               |
| Sale of subsidiary<br>shares to<br>noncontrolling<br>interests, not changing<br>ownership         | –                            | –                                | –                    | –                              | –   | –                                     | 522                              | 522             |
| Net income/(loss)   | –                            | –                                | 1,953                | –                              | –   | 1,953                                 | 788                              | 2,741           |
| Total other<br>comprehensive<br>income/(loss), net of<br>tax                                      | –                            | –                                | –                    | –                              | (579)   | (579)                                 | 45                               | (534)           |
| Issuance of common<br>shares  | 2                            | 1,125                            | –                    | –                              | –   | 1,127                                 | –                                | 1,127           |
| Sale of treasury shares   | –                            | (102)                            | –                    | 11,955                         | –   | 11,853                                | –                                | 11,853          |
| Repurchase of<br>treasury shares  | –                            | –                                | –                    | (11,790)                       | –   | (11,790)                              | –                                | (11,790)        |
| Share-based<br>compensation, net of<br>tax  | –                            | (145)                            | –                    | 297                            | –   | 152                                   | –                                | 152             |
| Financial instruments<br>indexed to own shares  | –                            | 164                              | –                    | –                              | –   | 164                                   | –                                | 164             |
| Dividends paid  | –                            | (1,646)                          | (216)                | –                              | –   | (1,862)                               | (86)                             | (1,948)         |
| Changes in<br>redeemable  | –                            | (625)                            | –                    | –                              | –   | (625)                                 | (140)                            | (765)           |

|                                      |           |               |               |             |                 |               |              |               |
|--------------------------------------|-----------|---------------|---------------|-------------|-----------------|---------------|--------------|---------------|
| noncontrolling<br>interests          |           |               |               |             |                 |               |              |               |
| Changes in scope of<br>consolidation | –         | –             | –             | –           | –               | –             | (310)        | (310)         |
| <b>Balance at end of<br/>period</b>  | <b>49</b> | <b>21,796</b> | <b>27,053</b> | <b>(90)</b> | <b>(15,134)</b> | <b>33,674</b> | <b>7,411</b> | <b>41,085</b> |

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)  |               |                 |                 |
| <b>Net income</b>  | <b>2,965</b>  | <b>1,685</b>    | <b>2,790</b>    |
| (Income)/loss from discontinued operations, net of tax   | (145)         | 40              | 25              |
| <b>Income from continuing operations</b>   | <b>2,820</b>  | <b>1,725</b>    | <b>2,815</b>    |
| 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          |
| <b>Net cash provided by/(used in) operating activities of continuing operations</b>  | <b>22,074</b> | <b>(12,668)</b> | <b>38,622</b>   |
| 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             |
| <b>Net cash provided by/(used in) investing activities of continuing operations</b>  | <b>11,519</b> | <b>42,818</b>   | <b>(25,967)</b> |

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)        |
| <b>Net cash provided by/(used in) financing activities of continuing operations</b>  | <b>(24,421)</b> | <b>(77,372)</b> | <b>32,861</b>  |
| Effect of exchange rate changes on cash and due from banks (CHF million)   |                 |                 |                |
| <b>Effect of exchange rate changes on cash and due from banks</b>  | <b>(1,216)</b>  | <b>(1,242)</b>  | <b>(632)</b>   |
| Net cash provided by/(used in) discontinued operations (CHF million)   |                 |                 |                |
| <b>Net cash provided by/(used in) discontinued operations</b>  | <b>(1,027)</b>  | <b>(346)</b>    | <b>222</b>     |
| Net increase/(decrease) in cash and due from banks (CHF million)   |                 |                 |                |
| <b>Net increase/(decrease) in cash and due from banks</b>  | <b>6,929</b>    | <b>(48,810)</b> | <b>45,106</b>  |
| Cash and due from banks at beginning of period   |                 |                 |                |
| <b>Cash and due from banks at end of period</b>  | <b>61,763</b>   | <b>110,573</b>  | <b>65,467</b>  |
|  | <b>68,692</b>   | <b>61,763</b>   | <b>110,573</b> |
| 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.

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#### 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           |
| <b>Total assets held-for-sale</b>             | <b>1,553</b> |
| CFIG (CHF million)                            |              |
| Fees receivable                               | 8            |
| Goodwill                                      | 23           |
| <b>Total assets held-for-sale</b>             | <b>31</b>    |
| Group (CHF million)                           |              |
| <b>Total assets held-for-sale</b>             | <b>1,584</b> |
| Liabilities held-for-sale                     |              |
| end of  | 2013         |
| German private banking business (CHF million) |              |
| Deposits                                      | 1,118        |
| Other liabilities                             | 22           |
| <b>Total liabilities held-for-sale</b>        | <b>1,140</b> |
| 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.

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| Income/(loss) from discontinued operations<br>in | 2013 | 2012 | 2011 |
|--|------|------|------|
|--|------|------|------|