

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)

David R. Mathers

Chief Financial Officer

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david.mathers@credit-suisse.com

Telephone: +41 44 333 6607

Fax: +41 44 333 1790

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

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class of securities	Name of each exchange on which registered
Credit Suisse Group AG American Depositary Shares each representing one Share	New York Stock Exchange New York Stock Exchange*
Shares par value CHF 0.04*	
Credit Suisse AG Fixed to Floating Rate Tier 1 Capital Notes Floating Rate Tier 1 Capital Notes	New York Stock Exchange New York Stock Exchange
Exchange Traded Notes due February 19, 2020 Linked to the Credit Suisse Long/Short Liquid Index (Net)	NYSE Arca
Credit Suisse Equal Weight MLP Index Exchange Traded Notes due April 20, 2020 Linked to the Cushing® 30 MLP Index	NYSE Arca
Exchange Traded Notes due October 6, 2020 Linked to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Exchange Traded Notes due March 13, 2031 Linked on a Leveraged Basis to the Credit Suisse Merger Arbitrage Liquid Index (Net)	NYSE Arca
Market Neutral Equity ETN Linked to the HS Market Neutral Index Powered by HOLT™ due September 22, 2031	NYSE Arca
VelocityShares Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Crude Oil ETN Linked to the S&P GSCI® Crude Oil Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Crude Oil ETN 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 Comp petrol 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 Comp petrol 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 Comp petrol 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 2011	13 / 12	% change 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 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 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

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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 2011	13 / 12	% change 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)

<sup>1</sup>  
 Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders. Management believes that the return on tangible shareholders' equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

## Credit Suisse and Core Results

in	Core Results			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 2011	2013	2012	Bank 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 2012	2013	Bank 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 2012	2013	Bank 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 2012	2013	Bank 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 2011	13 / 12	% change 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 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 (%)				

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Total shareholder return (Credit Suisse) <sup>1</sup>	Superior return vs peer group	26.0	4.8	(39.4)
Total shareholder return of peer group <sup>1, 2</sup>	–	26.7	49.2	(35.0)
Return on equity attributable to shareholders	Above 15%	5.7	3.9	6.0
Core Results cost/income ratio Capital (%)	Below 70%	85.4	91.1	88.3
Look-through Swiss Core Capital ratio	Above 10%	10.6	9.0	–

<sup>1</sup>  
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.

<sup>2</sup>  
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	–	–	–	–	9.22	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 2011	13 / 12	% change 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 (CHF million)	9,554	9,965	10,054	(4)	(1)
Pre-tax return on average utilized 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 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 2011	13 / 12	% change 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)		2012	2011	2013	2012	2011			
<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 2011	13 / 12	% change 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

	2013	2012	in 2011	% change	
				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 2011	13 / 12	% change 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 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 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 2011	13 / 12	% change 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 2011	13 / 12	% change 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>

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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 2011	% change 13 / 12	% change 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 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 2011	13 / 12	% change 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 (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 2011	13 / 12	% change 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 (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 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.

## 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 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 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
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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
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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 franc	US dollar	Euro	Other currencies	Total
Liquidity pool by currencies (CHF billion)					
Cash held at central banks	23.8	27.5	2.5	0.7	54.5
Government bonds	3.1	23.5	10.3	15.1	52.0 <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 % change	2013	2012	Bank % 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 (excluding CVA)	Credit risk (CVA)	Market risk	Operational risk	Non- counterparty risk	Total risk- weighted assets
Risk-weighted asset movement by risk type (CHF million)						
<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 Risk-weighted assets (CHF billion)	Capital requirements				Group					Bank 2013
	Minimum component	Buffer component	Progressive component	Excess	2013 Minimum component	Buffer component	Progressive component	Excess		
<b>Swiss risk-weighted assets</b>	-	-	-	-	<b>274.9</b>	-	-	-	-	<b>265.3</b>
2013 Swiss capital requirements <sup>1</sup>										
Minimum Swiss Total Capital ratio	3.5%	3.5%	1.1%	-	8.1%	3.5%	3.5%	1.1%	-	8.1%
Minimum Swiss Total Capital (CHF billion)	9.6	9.6	3.0	-	22.3	9.3	9.3	2.9	-	21.5
Swiss capital coverage (CHF billion)										
Swiss Core Capital	9.6	1.9	-	33.2	44.6	9.3	1.5	-	28.9	39.7
High-trigger capital instruments	-	7.7	-	-	7.7	-	7.7	-	-	7.7
Low-trigger capital instruments	-	-	3.0	3.0	6.0	-	-	2.9	2.2	5.2
<b>Swiss Total 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 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 2013	Bank 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 %			Bank %
end of	2013	2012	change	2013	2012	change
Shareholders' equity (CHF million)						
Common shares	64	53	21	4,400	4,400	0
Additional paid-in capital	27,853	23,636	18	34,617	28,686	21
Retained earnings	30,261	28,171	7	15,169	13,637	11
Treasury shares, at cost	(139)	(459)	(70)	0	0	–
Accumulated other comprehensive income/(loss)	(15,875)	(15,903)	0	(14,194)	(11,956)	19
<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 of shares	Average price per share in CHF
2013		
January	31.0	25.15
February	27.1	25.93
March	32.4	25.34
April	64.2	25.09
May	28.9	28.00
June	28.5	26.49
July	29.4	26.92
August	17.1	28.05
September	19.6	28.03
October	26.6	28.67
November	49.3	26.58
December	31.3	26.56
<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 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> %
end of	2013	2012	change	2013	2012	change
Economic capital resources (CHF million)						
Look-through CET1 capital (Basel III)	26,480	22,690	17	23,623	14,653	61
Economic adjustments <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 2013 (CHF million)	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Risk management VaR (98%)		Regulatory VaR (99%)
						Diversi- fication 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 2013 (USD million)	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Risk management VaR (98%)		Regulatory VaR (99%)
						Diversi- fication 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.

#### Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or OTC derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Our internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are reviewed at least annually. For the calculation of internal risk estimates and >>>risk-weighted assets, a >>>PD is assigned to each facility. For corporate & institutional counterparties excluding corporates managed on the Swiss platform, the PD is determined by the internal credit rating. For these client segments, internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings and research, and the judgment of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and backtested to ensure consistency with internal experience. For corporates managed on the Swiss platform and consumer loans, the PD is calculated directly by proprietary statistical rating models, which are based on internally compiled data comprising both quantitative factors (primarily loan-to-value (LTV) ratio and the borrower's income level for mortgage lending and balance sheet information for corporates) and qualitative factors (e.g., credit histories from credit reporting bureaus). In this case, an equivalent rating is assigned for reporting purposes, based on the PD band associated with each rating.

We assign an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the >>>LGD assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. We use credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. The overall internal credit rating system has been approved by >>>FINMA for application of the >>>A-IRB approach under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early

identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at >>>fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. Impaired transactions are further classified as potential problem exposure, non-performing exposure or non-interest-earning exposure, and the exposures are generally managed within credit recovery units. The Credit Portfolio and Provisions Review Committee regularly determines the adequacy of allowances.

#### Risk mitigation

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

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

- legal documentation that is agreed with our counterparties; and
- an internally independent collateral management function.

For our trading portfolio, the valuation of the collateral portfolio is performed as per the availability of independent market data, generally daily for traded products. Exceptions are governed by the calculation frequency described in the legal documentation. The

management of collateral is standardized and centralized to ensure complete coverage of traded products.

#### Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management. The following table represents credit risk from loans, irrevocable loan commitments and certain other contingent liabilities, loans held-for-sale, traded loans and derivative instruments before consideration of risk mitigation such as cash collateral and marketable securities or credit hedges.

Credit risk end of	2013	2012	% change
Credit risk (CHF million)			
<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 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
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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)

130

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 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		Loss given default buckets					
	gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
AAA	2,362	2,308	266	300	1,136	606	0	0
AA	5,729	5,298	449	2,044	2,288	514	2	1
A	28,558	24,417	3,791	13,696	4,929	1,924	73	4
BBB	122,554	84,770	11,996	45,206	21,893	4,788	259	628
BB	51,084	46,914	8,319	15,203	18,057	4,512	477	346
B	4,757	4,261	1,296	742	1,732	480	10	1
CCC	165	164	35	37	55	11	0	26
CC	14	14	0	0	0	14	0	0
C	125	125	0	0	0	125	0	0
D	1,151	1,014	78	231	322	343	12	28
<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		Loss given default buckets					
	gross exposure	Funded net exposure	0–10%	11–20%	21–40%	41–60%	61–80%	81–100%
Loss given default (CHF million)								
AAA	1,031	1,031	0	0	0	1,031	0	0
AA	1,228	1,062	0	0	341	721	0	0
A	4,400	3,068	2	0	157	2,907	2	0
BBB	7,022	4,926	352	8	1,314	2,713	539	0
BB	8,416	5,373	140	81	2,499	2,634	19	0
B	7,883	5,902	384	502	2,118	2,793	105	0
CCC	522	233	31	26	96	80	0	0
CC	379	374	22	0	222	130	0	0

D	609	530	64	0	125	336	5	0
<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 & Wealth Management		Investment 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

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory <sup>2</sup>	Net synthetic inventory <sup>3</sup>	Total credit risk exposure	
		CDS	Other <sup>1</sup>				Gross	Net
December 31, 2013								
Croatia (EUR billion)								
Sovereigns	0.6	0.0	0.5					