**BASE LISTING DOCUMENT DATED 15 APRIL 2014**

*If you are in doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.*

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# Base Listing Document relating to Non-collateralised Structured Products to be issued by

CREDIT SUISSE

# Credit Suisse AG

*(incorporated under the laws of Switzerland)*

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **listing rules**) for the purpose of giving information with regard to us and our derivative warrants (**warrants**), callable bull/bear contracts (**CBBCs**) and other structured products (warrants, CBBCs and such other structured products are collectively, **structured products**) to be listed on the stock exchange from time to time. This document may be updated and/or amended from time to time by way of addenda. You must ask us if any addenda to this document have been issued.

**We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.**

**The structured products involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.**

You are warned that the prices of structured products may fall in value as rapidly as they may rise and you may sustain a total loss of your investment. You should therefore ensure that you understand the nature of the structured products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before you invest in any structured products.

The structured products constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase any structured products, you are relying upon the creditworthiness of us, and have no rights under such structured products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the structured products, you may not be able to recover all or even part of the amount due under the structured products (if any).

**Sponsor and Manager**

**Credit Suisse (Hong Kong) Limited**

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## IMPORTANT INFORMATION

**What is this document about?**

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any structured products.

**What documents should you read before investing in the structured products?**

A supplemental listing document will be issued on the issue date of each series of structured products, which will include detailed commercial terms of the relevant series.

You must read this document (including any addendum to this document to be issued from time to time) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the **listing documents**) before investing in any structured product. You should carefully study the risk factors set out in the listing documents.

**Is there any guarantee or collateral for the structured products?**

No. Our obligations under the structured products are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our structured products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the structured products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the structured products (if any).

**What are the Issuer's credit ratings?**

The Issuer's long-term credit ratings are:

| *Rating agency* | *Ratings as at the day immediately preceding the date of this document* |
|---|---|
| Moody's Investors Service, Inc., New York ("**Moody's**") | A1 |
| Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") | A |
| Fitch Ratings ("**Fitch**") | A |

The long-term credit ratings are only an assessment by the credit rating agencies of the Issuer's overall financial capacity to pay its debts.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade credit ratings (including 1, 2 and 3 sub-grades) assigned by Moody's.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade credit ratings (including + or - sub-grades) assigned by S&P.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade credit ratings (including + or - sub-grades) assigned by Fitch.

Please refer to the brief guide in appendix 7 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

(a) a credit rating is not a recommendation to buy, sell or hold the structured products;

(b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;

(c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the above date are for reference only. Any downgrading of our ratings could result in a reduction in the value of the structured products;

(d) a credit rating is not an indication of the liquidity or volatility of the structured products; and

(e) a credit rating may be downgraded if the credit quality of the Issuer declines.

**The structured products are not rated.** The Issuer's credit ratings and credit rating outlooks are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer's ratings from time to time.

**Is the Issuer regulated by the Hong Kong Monetary Authority referred in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?**

We are regulated by the Hong Kong Monetary Authority as a registered institution. We are also, amongst others, regulated by the Swiss Financial Market Supervisory Authority and the Swiss National Bank.

**Is the Issuer subject to any litigation?**

Except as disclosed in the section headed "Legal Proceedings Information extracted from Credit Suisse annual report 2013" set out in appendix 6 of this document, we and our affiliates are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products. Also, we are not aware of any proceedings or claims which are threatened or pending against us or our affiliates.

**Has our financial position changed since last financial year-end?**

Except as disclosed in the section headed "Our financial statements extracted from Credit Suisse annual report 2013" set out in appendix 5 of this document, there has been no material adverse change in our financial position since 31 December 2013. You may access our latest publicly available financial information by visiting our website at *www.credit-suisse.com*.

**Do you need to pay any transaction cost?**

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission (**SFC**) charges a transaction levy of 0.003 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the structured products. The levy for the investor compensation fund is currently suspended.

**Do you need to pay any tax?**

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each structured product. See the section headed "Taxation" for further information.

**Authorised representatives and acceptance of service**

Our authorised representatives are Ken Pang and Sylvia So, both of Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Credit Suisse (Hong Kong) Limited (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) has been authorised to accept, on our behalf, service of process and any other notices required to be served on us.

**Where can you inspect the relevant documents?**

You may inspect copies of the following documents during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Credit Suisse (Hong Kong) Limited, (presently at Level 88, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong):

(a) the consent letter from KPMG AG (our **auditors**) in relation to the inclusion of their two reports on our (i) consolidated financial statements; and (ii) the effectiveness of internal control over financial reporting in this document;

(b) annual report 2013 of Credit Suisse Group AG & Credit Suisse AG (**Credit Suisse annual report 2013**);

(c) this document and any addenda or successor document to this document;

(d) the supplemental listing document as long as the relevant series of structured products is listed on the stock exchange; and

(e) a Chinese translation of each of the listing documents.

Request for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The listing documents are also available on the website of the HKEx at *www.hkexnews.hk* and our website at *http://warrants-hk.credit-suisse.com/en/home_e.cgi.*

各上市文件亦可於香港交易所披露易網站 *(www.hkexnews.hk)* 以及本公司網站*http://warrants-hk.credit-suisse.com/home_c.cgi* 瀏覽。

**Have our auditors consented to the inclusion of their reports in this document?**

Our auditors have given and have not withdrawn their written consent dated 15 April 2014 regarding the inclusion of their two reports and/or the references to their name in this document, in the form and context in which they are included. Their two reports were not prepared for incorporation in this document. Our auditors do not have any shareholding in us, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

**Placing and sale and grey market dealings**

No action has been taken to permit a public offering of structured products or the distribution of this document in any jurisdiction where action would be required for such purposes. The distribution of this document and the offering of any structured products may, in certain jurisdictions, be restricted by law. You must inform yourself of and observe all such restrictions. See the section headed "Placing and Sale" in this document for further details.

Following the launch of a series of structured products, we may place all or part of that series with our related party.

The structured products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in structured products by us and/or any of our subsidiaries or associated companies in the grey market to the stock exchange on the listing date through the website of HKEx at *www.hkexnews.hk.*

**The listing documents are not the sole basis for making your investment decision**

The listing documents do not take into account your investment objectives, financial situation or particular needs. The listing documents are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by us or the sponsor, that you should purchase any of the structured products or the underlying asset of the structured products. We do not imply that there has been no change in the information set out in this document since its publication date.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the structured products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

HKEx, the stock exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any structured products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

**Governing law of the structured products**

All contractual documentation for the structured products will be governed by, and construed in accordance with, the laws of Hong Kong.

**How can you get further information about us or the structured products?**

You may visit *www.credit-suisse.com* to obtain further information about us and/or the structured products.

**Undefined terms**

Unless otherwise specified, terms not defined in this document have the meanings given to them in the general conditions set out in appendix 1 of this document and the relevant product conditions applicable to the relevant series of structured products set out in appendix 2 and appendix 3 of this document (together, **conditions**).

## OVERVIEW OF WARRANTS

**What is a derivative warrant?**

A derivative warrant linked to a share, a unit, an index or other asset (each an **underlying asset**) is an instrument which gives the holder a right to "buy" or "sell" the underlying asset at, or derives its value by reference to, a pre-set price or level called the exercise price or strike level on the expiry date (as the case may be). It usually costs a fraction of the price or level of the underlying asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

**How and when can you get back your investment?**

Our warrants are European style warrants. This means they can only be exercised on the expiry date.

Our warrants will be exercised on the expiry date, entitling you to a cash amount called the **cash settlement amount** (if positive) according to the conditions applicable to our warrants.

For cash settled warrants, you will receive the cash settlement amount (net of exercise expenses) upon expiry. If the cash settlement amount is equal to or less than the exercise expenses, no amount is payable to you upon expiry of your warrants and you will lose all of your investment in the structured products.

**How do our warrants work?**

***Ordinary warrants***

The potential payoff of an ordinary warrant is calculated by reference to the difference between:

(a) for a warrant linked to a share or a unit, the exercise price and the closing price(s) of such share or unit on the valuation dates or each valuation date (**average price**); or

(b) for a warrant linked to an index, the strike level and the closing level of such index on the valuation date,

each as described more in the applicable product conditions set out in parts A, B, C and D of appendix 2 of this document.

*Call warrants*

A call warrant is suitable for an investor holding a bullish view of the price or level of the underlying asset during the term of the warrant.

A call warrant will be exercised if the average price or the closing level is greater than the exercise price or the strike level (as the case may be). The more the average price or the closing level is greater than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level (as the case may be) is equal to or less than the exercise price or the strike level (as the case may be), an investor in the call warrant will lose all of his investment.

*Put warrants*

A put warrant is suitable for an investor holding a bearish view of the price or level of the underlying asset during the term of the warrant.

A put warrant will be exercised if the average price or the closing level is less than the exercise price or the strike level (as the case may be). The more the average price or the closing level is less than the exercise price or the strike level (as the case may be), the higher the payoff upon expiry. If the average price or the closing level is equal to or greater than the exercise price or the strike level (as the case may be), an investor in the put warrant will lose all of his investment.

***Other types of warrants***

The supplemental listing document applicable to other types of warrants will specify the type of such warrants and whether such warrants are ordinary or exotic warrants.

Further details relating to how a particular series of warrants work will be set out in the relevant supplemental listing document.

**Where can you find the general conditions and the product conditions applicable to our warrants?**

You should review the general conditions and the product conditions applicable to each type of the warrants before your investment.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to each type of our warrants are set out in appendix 2 of this document (as may be supplemented by any addendum or the relevant supplemental listing document).

**What are the factors determining the price of a derivative warrant?**

The price of a warrant generally depends on the prevailing price or level of the underlying asset. However, the price of a warrant will be influenced by a number of factors throughout the warrant term, including:

(a) the exercise price or the strike level of the derivative warrants;

(b) the liquidity of the futures contracts relating to the underlying asset;

(c) the liquidity of the underlying asset;

(d) the value and volatility of the price or level of the underlying asset (being a measure of the fluctuation in the price or level of the underlying asset over time);

(e) the time remaining to expiry: generally, the longer the remaining life of the derivative warrant, the greater its value;

(f) the interim interest rates and expected dividend payments or other distributions on the underlying asset or on any components comprising the index;

(g) the supply and demand for that warrant;

(h) our related transaction costs; and/or

(i) our creditworthiness.

**What is your maximum loss?**

Your maximum loss in our warrants will be limited to your investment amount plus any transaction costs.

**How can you get information about the warrants after issue?**

You may visit the website of HKEx at *http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm* to obtain further information on derivative warrants or any notice given by us or the stock exchange in relation to our warrants.

## OVERVIEW OF CBBCS

**What are CBBCs?**

CBBCs are a type of structured products that track the performance of an underlying asset. CBBCs can be issued on different types of underlying assets as prescribed by the stock exchange from time to time, including:

(a) shares or unit trusts listed on the stock exchange;

(b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or

(c) overseas securities, overseas indices, currencies or commodities (such as oil, gold and platinum).

A list of eligible underlying assets for CBBCs is available on the website of the HKEx at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm*.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the underlying asset. Bull CBBCs are designed for investors who have an optimistic view on the underlying asset. Bear CBBCs are designed for investors who have a pessimistic view on the underlying asset.

CBBCs have a mandatory call feature (the **mandatory call event**) and, subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate our CBBCs upon the occurrence of a mandatory call event. See "What are the mandatory call features of CBBCs?" below for further information.

There are 2 categories of CBBCs, namely:

(a) category R CBBCs; and

(b) category N CBBCs.

Your entitlement following the occurrence of a mandatory call event will depend on the category of the CBBCs. See "Category R CBBCs vs. category N CBBCs" below for further information.

If no mandatory call event occurs, the CBBCs will be exercised automatically on the expiry date. The cash settlement amount (if any) payable at expiry represents the difference between the closing price or the closing level of the underlying asset on the valuation date and the strike price or the strike level.

**What are the mandatory call features of CBBCs?**

*Mandatory call event*

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed, we must terminate the CBBCs if a mandatory call event occurs. A mandatory call event occurs if the spot price or the spot level of the underlying asset is:

(a) at or below the call price or the call level (in the case of a bull CBBC); or

(b) at or above the call price or the call level (in the case of a bear CBBC), at any time during the observation period.

For CBBCs over underlying assets traded or quoted locally, the observation period starts from and includes the observation commencement date of the relevant CBBCs and ends on and includes the trading day immediately preceding the expiry date.

Subject to the limited circumstances set out in the relevant conditions in which a mandatory call event may be reversed and such modification and amendment as may be prescribed by the stock exchange from time to time:

(a) all trades in the CBBCs concluded after the time at which the mandatory call event occurs; and

(b) where the mandatory call event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades of the CBBCs concluded after the end of the pre-order matching period in such session,

will be invalid and cancelled, and will not be recognised by us or the stock exchange.

The time at which a mandatory call event occurs will be determined by reference to:

(a) (in the case of CBBCs over single equities or CBBCs over single unit trusts listed on the stock exchange) the stock exchange's automatic order matching and execution system time at which the spot price is at or below the call price (for a series of bull CBBCs) or is at or above the call price (for a series of bear CBBCs);

(b) (in the case of CBBCs over index quoted on the stock exchange) the time the relevant spot level is published by the index compiler at which the spot level is at or below the call level (for a series of bull CBBCs) or is at or above the call level (for a series of bear CBBCs); or

(c) (in the case of CBBCs over other underlying assets), the time as specified in the relevant supplemental listing document,

subject to the rules and requirements as prescribed by the stock exchange from time to time.

*Category R CBBCs vs. category N CBBCs*

The supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are category R CBBCs or category N CBBCs.

**Category R CBBCs** refer to CBBCs for which the call price or the call level is different from the strike price or the strike level. In respect of a series of category R CBBCs, you may receive a cash payment called the **residual value** upon the occurrence of a mandatory call event. The amount of the residual value payable (if any) is calculated by reference to:

(a) (in the case of a bull CBBC) the difference between the minimum trade price or the minimum index level and the strike price or the strike level of the underlying asset; and

(b) (in the case of a bear CBBC) the difference between the strike price or the strike level and the maximum trade price or the maximum index level of the underlying asset.

**Category N CBBCs** refer to CBBCs for which the call price or the call level is equal to their strike price or the strike level. In respect of a series of category N CBBCs, you will not receive any cash payment following the occurrence of a mandatory call event.

You must read the applicable conditions and the relevant supplemental listing document to obtain further information on the calculation formula of the residual value applicable to category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

(a) in the case of a series of bull CBBCs, the minimum trade price or the minimum index level of the underlying asset is equal to or less than the strike price or the strike level; or

(b) in the case of a series of bear CBBCs, the maximum trade price or the maximum index level of the underlying asset is equal to or greater than the strike price or the strike level.

**Where can you find the general conditions and the product conditions applicable to our CBBCs?**

You should review the general conditions and the product conditions applicable to the CBBCs before you invest.

The general conditions are set out in appendix 1 of this document and the product conditions applicable to our CBBCs are set out in appendix 3 of this document (as may be supplemented by any addendum or the relevant supplemental listing document).

**How is the funding cost calculated?**

The issue price of a CBBC is set by reference to (a) the difference between the initial reference spot price or spot level of the underlying asset as at the launch date of the CBBC and the strike price or the strike level, plus (b) if applicable, a funding cost.

The issue price of a CBBC includes the initial funding cost (if any) and the initial funding cost applicable to the CBBCs as of the launch date will be specified in the relevant supplemental listing document for the relevant series.

The funding cost is an amount determined by us based on a number of factors, including but not limited to the strike price or the strike level, the prevailing interest rate and, for CBBCs over single equities or CBBCs over single unit trusts, the expected dividend or distribution yield in respect of the underlying asset.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant supplemental listing document.

**Do you own the underlying asset?**

CBBCs convey no interest in the underlying asset. We may choose not to hold the underlying asset or any derivatives contracts linked to the underlying asset. There is no restriction through the issue of the CBBCs on our ability to sell, pledge or otherwise convey all right, title and interest in any underlying asset or any derivatives products linked to the underlying asset.

**What are the factors determining the price of a CBBC?**

The price of a CBBC tends to mirror the movement in the value of the underlying asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one underlying asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

(a) the strike price or the strike level and the call level or the call price;

(b) the likelihood of the occurrence of a mandatory call event;

(c) for category R CBBCs only, the probable range of the residual value payable upon the occurrence of a mandatory call event;

(d) probable range of cash settlement amount;

(e) the time remaining to expiry;

(f) the interim interest rates and expected dividend payments or other distribution on the underlying asset or on any components comprising the underlying index;

(g) the supply and demand for the CBBCs;

(h) the liquidity of future contracts relating to the underlying index;

(i) our related transaction costs; and/or

(j) our creditworthiness.

**What is your maximum loss?**

Your maximum loss in the CBBCs will be limited to your investment amount plus any transaction costs.

**How can you get information about the CBBCs after issue?**

You may visit the website of HKEx at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm* to obtain further information on CBBCs or any notice given by us or the stock exchange in relation to our CBBCs.

# TAXATION

*The information below is of a general nature and is only a summary of the law and practice currently applicable in Switzerland, Hong Kong and the United States of America. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers as to the Swiss, Hong Kong or the United States of America laws or other tax consequences of the acquisition, ownership and disposition of structured products, including, in particular, the effect of any foreign, state or local tax laws to which you are subject.*

**Taxation in Switzerland**

*Gain on sale or redemption*

Under present Swiss law, a holder of structured products who is neither a resident of Switzerland nor whose transactions in the structured products are attributable to a permanent establishment within Switzerland during the taxable year will not be subject to any Swiss Federal, Cantonal or Municipal income or other tax on gains realised during that year on the holding, sale, redemption or exercise of a structured product.

*Stamp tax*

No stamp tax will arise in Switzerland in connection with the issue or sale of the structured products provided that no Swiss Bank or Swiss securities dealer is involved as a counterparty or an intermediary. Swiss stamp tax will not be payable on the exercise of a structured product provided that the structured product is not exercised by or through a Swiss Bank or a Swiss securities dealer.

**Taxation in Hong Kong**

*Profits tax*

No tax is payable in Hong Kong by withholding or otherwise in respect of:

(a) dividends of any company;

(b) distributions of any trust authorised as a collective investment scheme by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC which has issued the underlying units; and

(c) any capital gains, arising on the sale of the underlying securities or structured products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

*Stamp duty*

You do not need to pay any stamp duty in respect of purely cash settled structured products.

Where Hong Kong stock is to be delivered, stamp duty will normally be payable since any person who effects a sale or purchase of **Hong Kong stock**, such term as defined in the Stamp Duty Ordinance (Cap 117, The Laws of Hong Kong), whether as principal or as agent and whether such transaction is effected in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and have such contract note stamped with Hong Kong stamp duty.

**Taxation in United States of America**

**United States Tax Consequences**

**Substitute Dividend and Dividend Equivalent Payments**

Provisions of the Hiring Incentives to Restore Employment Act (the "**Act**") and regulations thereunder treat a "dividend equivalent" payment as a dividend from sources within the United States. Under the Act, unless reduced by an applicable tax treaty with the United States, such payments generally will be subject to U.S. withholding tax. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" (a "**specified NPC**") that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the U.S. Internal Revenue Service (the "**IRS**") to be substantially similar to a payment described in the preceding clauses (i) and (ii). For payments made before January 1, 2016, the regulations provide that a specified NPC is any NPC if (a) in connection with entering into the contract, any long party to the contract transfers the underlying security to any short party to the contract, (b) in connection with the termination of the contract, any short party to the contract transfers the underlying security to any long party to the contract, (c) the underlying security is not readily tradable on an established securities market, or (d) in connection with entering into the contract, the underlying security is posted as collateral by any short party to the contract with any long party to the contract.

Proposed regulations provide that a dividend equivalent is (i) any payment of a substitute dividend made pursuant to a securities lending or sale-repurchase transaction that references the payment of a dividend from an underlying security, (ii) any payment made pursuant to a specified NPC that references the payment of a dividend from an underlying security, (iii) any payment made pursuant to a specified equity-linked instrument (a "**specified ELI**") that references the payment of a dividend from an underlying security, or (iv) any other substantially similar payment. An underlying security is any interest in an entity taxable as a domestic corporation if a payment with respect to that interest could give rise to a U.S. source dividend. An ELI is a financial instrument (other than a securities lending or sale-repurchase transaction or an NPC) or combination of financial instruments that references one or more underlying securities to determine its value, including a futures contract, forward contract, option, contingent payment debt instrument, or other contractual arrangement. The proposed regulations provide that, for payments made after December 31, 2015, a specified NPC (or a specified ELI) is any NPC or ELI that has a delta of 0.70 or greater with respect to an underlying security at the time of acquisition. The delta of an NPC or ELI is the ratio of the change in the fair market value of the contract to the change in the fair market value of the property referenced by the contract. If an NPC or ELI references more than one underlying security, a separate delta must be determined with respect to each underlying security without taking into account any other underlying security or other property or liability. If an NPC (or ELI) references more than one underlying security, the NPC (or ELI) is a specified NPC (or specified ELI) only with respect to underlying securities for which the NPC (or ELI) has a delta of 0.70 or greater at the time that the long party acquires the NPC (or ELI). The proposed regulations provide an exception for qualified indices that satisfy certain criteria; however, it is not entirely clear how the proposed regulations will apply to structured products that are linked to certain indices or baskets. The proposed regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security.

We will treat any portion of a payment or deemed payment on the structured products (including, if appropriate, the payment of the purchase price) that is substantially similar to a dividend as a dividend equivalent payment, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. If withholding applies, we will not be required to pay any additional amounts with respect to amounts withheld. An example of a tax treaty that offers such relief in certain circumstances is the Canada-U.S. tax treaty, which generally provides an exemption from income taxation for dividends derived by a trust, company, organization or other arrangement that is generally exempt from income taxation and operated exclusively to administer or provide pension, retirement or employee benefits, provided that such dividends are not derived from carrying on a trade or business.

The proposed regulations are extremely complex. A holder of structured products should consult their tax advisors regarding the U.S. federal income tax consequences to them of these proposed regulations and whether payments or deemed payments on the structured products constitute dividend equivalent payments.

**Structured Products Held Through Foreign Entities**

Under the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act ("**FATCA**") and recently finalized regulations, a 30% withholding tax is imposed on "withholdable payments" and certain "passthru payments" made to "foreign financial institutions" (as defined in the regulations or an applicable intergovernmental agreement) (and their more than 50% affiliates) unless the payee foreign financial institution agrees, among other things, to disclose the identity of any U.S. individual with an account at the institution (or the institution's affiliates) and to annually report certain information about such account. The term "withholdable payments" generally includes (1) payments of fixed or determinable annual or periodical gains, profits, and income ("**FDAP**"), in each case, from sources within the United States, and (2) gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States. "Passthru payments" means any withholdable payment and any foreign passthru payment. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or certify that they do not have any substantial United States owners) to withhold tax at a rate of 30%. We will treat payments on the structured products as withholdable payments for these purposes.

Withholding under FATCA will apply to all withholdable payments and certain passthru payments without regard to whether the beneficial owner of the payment is a U.S. person, or would otherwise be entitled to an exemption from the imposition of withholding tax pursuant to an applicable tax treaty with the United States or pursuant to U.S. domestic law. Unless a foreign financial institution is the beneficial owner of a payment, it will be subject to refund or credit in accordance with the same procedures and limitations applicable to other taxes withheld on FDAP payments provided that the beneficial owner of the payment furnishes such information as the IRS determines is necessary to determine whether such beneficial owner is a United States owned foreign entity and the identity of any substantial United States owners of such entity.

Pursuant to the recently finalized regulations described above and IRS Notice 2013-43, and subject to the exceptions described below, FATCA's withholding regime generally will apply to (i) withholdable payments (other than gross proceeds of the type described above) made after June 30, 2014 (other than certain payments made with respect to a "preexisting obligation," as defined in the regulations); (ii) payments of gross proceeds of the type described above with respect to a sale or disposition occurring after December 31, 2016; and (iii) foreign passthru payments made after the later of December 31, 2016, or the date that final regulations defining the term "foreign passthru payment" are published. Notwithstanding the foregoing, the provisions of FATCA discussed above generally will not apply to (a) any obligation (other than an instrument that is treated as equity for U.S. tax purposes or that lacks a stated expiration or term) that is outstanding on July 1, 2014 (a "grandfathered obligation"); (b) any obligation that produces withholdable payments solely because the obligation is treated as giving rise to a dividend equivalent pursuant to Code section 871(m) and the regulations thereunder that is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents; and (c) any agreement requiring a secured party to make payments with respect to collateral securing one or more grandfathered obligations (even if the collateral is not itself a grandfathered obligation). Thus, if you hold your structured products through a foreign financial institution or foreign entity, a portion of any of your payments made after June 30, 2014, may be subject to 30% withholding.

## PLACING AND SALE

### General

We have not taken, and will not take, any action that would permit a public offering of the structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any structured products, or distribution of any offering material relating to the structured products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may at our discretion allow discounts to placees.

### United States of America

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of structured products which are the subject of the offering contemplated by this Base Listing Document as completed by the relevant supplemental listing document in relation thereto to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of structured products shall require the Issuer or any dealer to publish a prospectus pursuant to article 3 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an "**offer of structured products to the public**" in relation to any structured products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe the structured products, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

### United Kingdom

Each dealer has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the structured products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any structured products in, from or otherwise involving the United Kingdom.

# RISK FACTORS

*Not all of the risk factors described below will be applicable to a particular series of the structured products. Please consider all risks carefully prior to investing in any structured products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the structured products. Please read the following section together with the risk factors set out in the relevant supplemental listing document.*

**General risks relating to us**

*We are not the ultimate holding company of the group*

We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of the group to which we belong is Credit Suisse Group AG.

*Non-collateralised structured products*

The structured products are not secured on any of our assets or any collateral. Each series of structured products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations. At any given time, the number of our structured products outstanding may be substantial.

*Repurchase of our structured products*

We may repurchase structured products at any time from time to time in the private market or otherwise at a negotiated price or the prevailing market price, at our discretion. You should not therefore make any assumption as to the number of structured products in issue at any time.

*Our creditworthiness*

If you purchase our structured products, you are relying upon our creditworthiness and have no rights under the structured products against:

(a) any company which issues the underlying shares;

(b) the trustee or the manager of the underlying unit; or

(c) the index compiler of the underlying index.

We do not guarantee the repayment of your investment in any structured products. If we become insolvent or default on our obligations under the structured products, you can only claim as our unsecured creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the structured products (if any).

Any downgrading of our rating by our rating agencies could result in a reduction in the value of the structured products.

*No deposit liability or debt obligation*

We are obliged to deliver to you the cash settlement amount or the entitlement (as the case may be) under the conditions applicable to the relevant structured products upon expiry or exercise. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any structured product.

*Conflicts of interest*

Credit Suisse Group AG constitutes a diversified financial services group with relationships in countries around the world. We engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for our own account or the account of others. In addition, Credit Suisse Group AG, in connection with our other business activities, may possess or acquire material information about any underlying assets. Such activities and information may involve or otherwise affect the issuers of the underlying assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with our issue of structured products. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. Credit Suisse Group AG has no obligation to disclose such information about the underlying assets, baskets of shares and/or indices or such activities. Credit Suisse Group AG and our respective officers and directors may engage in any such activities without regard to our issue of structured products or the effect that such activities may directly or indirectly have on any structured product. In the ordinary course of our business, including without limitation in connection with us or our appointed liquidity provider's market making activities, Credit Suisse Group AG may effect transactions for our own account or for the account of our customers and hold long or short positions in the underlying assets or related derivatives. In addition, in connection with the offering of any structured product, we or any member of Credit Suisse Group AG may enter into one or more hedging transactions with respect to the underlying assets or related derivatives. In connection with such hedging or market making activities or with respect to proprietary or other trading activities by us or any member of Credit Suisse Group AG, we may enter into transactions in the underlying assets or related derivatives which may affect the market price, liquidity or value of the structured products and which may affect your interests in the structured products.

In particular, you should note that we issue a large number of financial instruments, including the structured products, on a global basis. The number of such financial instruments outstanding at any time may be substantial. We have substantially no obligation to any holder of the structured products other than to pay amounts in accordance with the applicable conditions and in the relevant supplemental listing document. We do not in any respect underwrite or guarantee the performance of any structured product. Any profit or loss realised by you in respect of a structured product upon exercise or otherwise due to changes in the value of such structured product, or the price or level of the underlying asset, is solely for your own account. In addition, we have the absolute discretion to put in place any hedging transaction or arrangement which we consider appropriate in connection with any structured products or the applicable underlying asset. A reduction in our rating, if any, accorded to our outstanding debt securities by any one of our rating agencies could result in a reduction in the trading value of the structured products.

**General risks relating to structured products**

*You may lose all your investment in the structured product*

Structured products involve a high degree of risk, and are subject to a number of risks which may include interest, foreign exchange, time value, market, and/or political risks. Structured products may expire worthless.

Options warrants and asset linked instruments are priced primarily on the basis of the price or level of the underlying asset, the volatility of the underlying asset's price or level and the time remaining to expiry of the structured product.

The prices of structured products may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or a total loss of your investment in the structured products. Assuming all other factors are held constant, the more the price or level of the underlying asset of a structured product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

Our structured products are European style and they are only exercisable on their respective expiry dates and may not be exercised by you prior to the relevant expiry date. Accordingly, if on such expiry date the cash settlement amount (net of exercise expenses) is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a structured product means that, in order to recover and realise a return upon your investment in the structured products, you must generally be correct about the direction, timing and magnitude of an anticipated change in the price or level of the underlying asset.

Changes in the price or level of an underlying asset can be unpredictable, sudden and large and such changes may result in the price or level of the underlying asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price or level of the relevant underlying asset does not move in the anticipated direction.

*The value of the structured products may be disproportionate or opposite to movement in price or level of the underlying assets*

An investment in structured products is not the same as owning the underlying asset or having a direct investment in the underlying asset. The market values of structured products are linked to the relevant underlying assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call warrant, it is possible that while the price or level of the underlying assets is increasing, the value of the structured product is falling.

You should recognise the risks of utilising structured products if you intend to purchase any series of structured products to hedge against the market risk associated with investing in the relevant underlying asset. The value of the structured products may not exactly correlate with the price or level of the underlying asset. Due to fluctuations in supply and demand for structured products, there is no assurance that their value will correlate with movements in the price or level of the underlying asset. The structured products may not be a perfect hedge to the underlying asset or portfolio of which the underlying asset forms a part.

Furthermore, it may not be possible to liquidate the structured products at a price or level which directly reflects the price or level of the underlying asset or portfolio of which the underlying asset forms a part. You may therefore suffer substantial losses in the structured products notwithstanding any losses suffered with respect to investments in or exposures to any underlying assets.

*Possible illiquidity of secondary market*

It is not possible to predict:

(a) if and to what extent a secondary market may develop in any series of structured products;

(b) at what price such series of structured products will trade in the secondary market; and

(c) whether such market will be liquid or illiquid.

The fact that the structured products are listed does not necessarily lead to greater liquidity than if they were not listed.

We intend to apply to list each series of structured products on the stock exchange. There can be no assurance that the listing of a series of structured products at the stock exchange can be maintained.

If any series of structured products are not listed or traded on any exchange, pricing information for such series of structured products may be difficult to obtain and the liquidity of that series of structured products may be adversely affected.

The liquidity of any series of structured products may also be affected by restrictions on offers and sales of the structured products in some jurisdictions. Transactions in off-exchange structured products may be subject to greater risks than dealing in exchange-traded structured products. To the extent that any structured products of a series is exercised or closed out, the number of structured products outstanding in that series will decrease, which may result in a lessening of the liquidity of structured products. A lessening of the liquidity of the affected series of structured products may cause, in turn, an increase in the volatility associated with the price of such structured products.

We, acting through our liquidity provider, may be the only market participant for the structured products. Therefore, the secondary market for the structured products may be limited. We and our liquidity provider may at any time purchase the structured products at any price in the open market or by tender or private agreement, subject to the requirements under the listing rules relating to the provision of liquidity, as described further in the relevant supplemental listing document. The more limited the secondary market is for any particular series of the structured products, the more difficult for you to realise the value of your structured products prior to the expiration date.

*Interest rates*

Investments in the structured products may involve interest rate risk with respect to the currency of denomination of the underlying assets and/or the structured products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors.

Such fluctuations may have an impact on the value of the structured products at any time prior to valuation of the underlying assets relating to the structured products.

*Exchange rate risk*

There may be an exchange rate risk in the case of structured products where the cash settlement amount will be converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the structured products. Fluctuations in the exchange rates of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that rates of exchange between any relevant currencies which are current at the date of issue of any structured products will be representative of the rates of exchange used in computing the value of the relevant structured products at any time thereafter.

Where structured products are described as being "quantoed", the value of the underlying assets will be converted from one currency (the **original currency**) into a new currency (the **new currency**) on the date and in the manner specified in, or implied by, the applicable conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the original currency and the new currency will have an implication on the value of the structured products, which will vary during the term of the structured products. No assurance can be given as to whether or not, taking into account relative exchange rates and interest rate fluctuations between the original currency and the new currency, a quanto feature in a structured product would at any time enhance the return on the structured product over a level of a similar structured product issued without such a quanto feature.

*Taxes*

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time.

Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" for further information.

*Modification to the conditions*

Under the conditions, we may without your consent, effect any modification of terms and conditions of the structured products or the global certificate which, in our opinion, is:

(a) not materially prejudicial to the interests of the holder of the structured products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) made to correct a manifest error; or

(d) is necessary in order to comply with any mandatory provisions of the laws or regulations of Hong Kong.

*Possible early termination for illegality or impracticability*

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable for us to perform our obligations under the structured products in whole or in part as a result of our compliance with any applicable law, we may terminate the structured products. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us in good faith and in a commercially reasonable manner to be the fair market value of the structured products prior to such termination notwithstanding the illegality or impracticability less our cost of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

**Risks relating to the underlying asset**

*You have no right to the underlying asset*

Unless specifically indicated in the conditions, you will not be entitled to:

(a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the shares or units would normally be entitled to; or

(b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

*Valuation risk*

An investment in the structured products involve valuation risk in relation to the relevant underlying asset. The price or level of the underlying asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions (where the underlying asset is a share), changes in computation or composition (where the underlying asset is an index), macro economic factors and market trends.

You must be experienced with dealing in these types of structured products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any structured product in light of your particular financial circumstances, the information regarding the relevant structured product and the particular underlying asset to which the value of the relevant structured product relates.

*Adjustment related risk*

Certain events relating to the underlying asset require or, as the case may be, permit us to make certain adjustments or amendments to the conditions. You have limited anti-dilution protection under the conditions. We may, in our sole discretion adjust, among other things, the entitlement, the exercise price, the call price (if applicable) or any other terms (including without limitation the average price or the closing level of the underlying asset) of any series of structured product. However, we are not required to adjust for every event that may affect an underlying asset, such as changes in computation or composition (where the underlying asset is an index), macro economic factors or market trends that affect the underlying asset, in which case the market price of the structured products, and the return upon the expiry of the structured products may be affected.

For structured products linked to an index, the index level may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on a valuation date and there is no market disruption event called under the conditions, then the closing level of the index may be calculated by the index compiler by reference to the remaining components. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

*Suspension of trading*

If the underlying assets are suspended from trading or dealing for whatever reason on the market on which they are listed or dealt in (including the stock exchange), trading in the relevant series of structured products will be suspended for a similar period. The value of the structured products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the structured products will be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the structured products. This may adversely affect your investment in the structured products.

*Delay in settlement*

Unless otherwise specified in the relevant conditions, there may be a time lag between the date on which the structured products expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such structured products arising from our determination that a market disruption event, settlement disruption event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the conditions.

The relevant settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount.

You should note that in the event of there being a settlement disruption event or a market disruption event, payment of the cash settlement amount may be delayed as more fully described in the conditions.

**Risks relating to structured products over trusts**

*General risks*

In the case of structured products which relate to the units of a trust:

(a) neither we nor any of our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any structured product in any way, or (ii) has any obligation to consider the interest of the holders of any structured product in taking any corporate action that might affect the value of any structured product; and

(b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

*Exchange traded funds*

In the case of structured products linked to units of an exchange traded fund (**ETF**), you should note that:

(a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;

(b) there may be disparity between the performance of the ETF and he performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

(c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the structured products will also be indirectly subject to these risks.

*Synthetic exchange traded funds*

Additionally, where the underlying asset of structured products comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (**Synthetic ETF**), you should note that:

(a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

(b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of structured products linked to such ETF or Synthetic ETF.

**Risks relating to our warrants**

*Time decay*

The settlement amount of a series of warrants at any time prior to expiration may be less than the trading price of such warrants at that time. The difference between the trading price or level and the settlement amount will reflect, among other things, a "time value" of the warrants. The "time value" of the warrants will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future price or level of the underlying assets. The value of the warrants is likely to decrease over time.

Therefore, the warrants should not be viewed as products for long term investments.

**Risks relating to our CBBCs**

*You may lose all or substantially all of your investment upon the occurrence of a mandatory call event*

CBBCs are not suitable for all types of investors. You should not invest in the CBBCs unless you understand the nature of the CBBCs and are prepared to lose all or substantially all of your investment in the CBBCs. The CBBCs will be terminated upon the occurrence of a mandatory call event and you will not be able to benefit from your investment in the CBBCs even if the performance of the underlying asset recovers subsequent to the occurrence of the mandatory call event. When a mandatory call event occurs, payoff for a category N CBBC will be zero and for a category R CBBC, you may lose all of your investment or receive a small amount of residual value payment. Please refer to the section headed "Overview of CBBCs" for more information.

*Correlation between the price of a CBBC and the price or level of the underlying asset*

When the underlying asset of a CBBC is trading at a price or level close to its call price or call level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the price or level of the underlying asset.

*Mandatory call event is irrevocable*

A mandatory call event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of the stock exchange (such as the setting up of wrong call price or call level and other parameters) and such event is reported by the stock exchange to us and we and the stock exchange mutually agree that such mandatory call event is to be revoked; or

(b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the index compiler) and such event is reported by us to the stock exchange and we and the stock exchange mutually agree that such mandatory call event is to be revoked,

in each case, such mutual agreement must be reached no later than the time specified in the relevant supplemental listing document or such other time as prescribed by the stock exchange from time to time. Upon revocation of the mandatory call event, trading of the CBBCs will resume and any trade cancelled after such mandatory call event will be reinstated.

*Delay in announcements of a mandatory call event*

The stock exchange will notify the market as soon as practicable after the CBBC has been called upon the occurrence of a mandatory call event. You must however be aware that there may be delay in the announcement of a mandatory call event due to technical errors or system failures and other factors that are beyond our control or the control of the stock exchange.

*Non-recognition of post MCE trades*

The stock exchange and its recognised exchange controller, HKEx, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and, without regard to the circumstances giving rise to any purported claim (except in the case of wilful misconduct on the part of the stock exchange and/or HKEx)) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the mandatory call event or the suspension of trading (**trading suspension**) or the non-recognition of trades after a mandatory call event (**non-recognition of post MCE trades**), including, without limitation, any delay, failure, mistake or error in the trading suspension or non-recognition of post MCE trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the trading suspension and/or non-recognition of post MCE trades in connection with the occurrence of a mandatory call event, the resumption of trading of the CBBCs or reinstatement of any post MCE trades cancelled as a result of the reversal of any mandatory call event, notwithstanding that such trading suspension and/or non-recognition of post MCE trades occur as a result of an error in the observation of the event.

*Residual value will not include residual funding cost*

In respect of category R CBBCs, the residual value (if any) payable by us following the occurrence of a mandatory call event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a category R CBBC following the occurrence of a mandatory call event.

*Our hedging activities may adversely affect the price or level of the underlying asset*

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the underlying asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the underlying asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the underlying asset which may affect the market price, liquidity or price or level of the underlying asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or any of our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the underlying asset or in derivatives linked to the underlying asset. Further, it is possible that the advisory services which we or any of our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the underlying asset.

*Unwinding of hedging arrangements*

Our or our affiliates' trading and/or hedging activities related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the underlying asset and may trigger a mandatory call event. In particular, when the underlying asset is trading close to the call price or the call level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price or level of the underlying asset, leading to a mandatory call event as a result of such unwinding activities.

In respect of category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a mandatory call event.

In respect of category R CBBCs, before the occurrence of a mandatory call event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a mandatory call event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a mandatory call event may affect the trading price or level of the underlying asset and consequently the residual value for the CBBCs.

*Possible early termination for hedging disruption*

If we determine that a hedging disruption event has occurred, we may at our absolute discretion terminate the CBBCs. In such event, we will, if and to the extent permitted by applicable law, pay an amount calculated by us to be the fair market value of the CBBCs prior to such termination less our cost of unwinding any related hedging arrangements.

**Risks relating to the legal form of the structured products**

Each series of structured products will be issued in global registered form and represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a CCASS participant).

The register for the relevant structured products will only record at all times that 100% of such structured products are held by HKSCC Nominees Limited, being the only legal owner. The evidence of your title, as well as the efficiency of ultimate delivery of the cash settlement amount (if any) under the structured products, will be subject to the CCASS Rules.

You should be aware of the following risks:

(a) you will not receive any definitive certificates representing your beneficial interests in the structured products;

(b) you may only refer to the records of CCASS or their brokers/custodians and the statements you receive to determine your beneficial interest in the structured products;

(c) any notices, announcements and/or information relating to meetings in respect of the structured products will only be delivered to you through the CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time; and

(d) our obligations under the conditions of the structured products will be duly performed by the payment of the cash settlement amount to HKSCC Nominees Limited as the registered holder of the structured products, all in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

**Fee arrangements with brokers and conflicts of interest of brokers**

We may enter into fee arrangements with brokers and/or any of their affiliates with respect to the placement of the structured products in the primary market. You should note that any brokers with whom we have a fee arrangement does not, and cannot be expected to, deal exclusively in the structured products, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the underlying assets and/or the structured products of other issuers over the same underlying assets to which the particular series of structured products may relate, or other underlying assets as the case may be, for their proprietary accounts and/or for the accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the structured products and present certain conflicts of interests.

**Effect of the combination of risk factors unpredictable**

Two or more risk factors may simultaneously have an effect on the value of a series of structured products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of structured products.

## GENERAL INFORMATION ABOUT US

### Incorporation, registered office and objective

We were established on 5 July 1856 and registered in the Commercial Register of the Canton of Zurich on 27 April 1883 for an unlimited duration under the name of Schweizerische Kreditanstalt. Our name was changed to Credit Suisse First Boston on 11 December 1996 (by entry in the Commercial Register), effective as of 1 January 1997. Our name was then changed to Credit Suisse, effective as of 13 May 2005. Our name was further changed to Credit Suisse AG, effective as of 9 November 2009. We are a joint stock corporation established under Swiss law. Our share capital amounts to CHF 4,399,680,200, which is divided into 4,399,680,200 fully paid-up registered shares with a par value of CHF 1 each.

### Members of our board of directors as of 14 April 2014*

| Name | Office held | Office address |
|---|---|---|
| Urs Rohner | Chairman | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Peter Brabeck-Letmathe | Vice Chairman | Nestlé SA<br>Avenue Nestlé 55<br>1800 Vevey, Switzerland |
| Jassim Bin Hamad J.J. Al-Thani | Director | Qatar Islamic Bank (QIB) Grand Hamad<br>Avenue<br>P.O. Box 559<br>Doha, Qatar |
| Noreen Doyle | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Walter B. Kielholz | Director | Swiss Reinsurance Company Ltd.<br>Mythenquai 50/60<br>8022 Zurich<br>Switzerland |
| Andreas N. Koopmann | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Jean Lanier | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |

| Name | Office held | Office address |
| --- | --- | --- |
| Kaikhushru Shiavax Nargolwala | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Anton van Rossum | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Richard E. Thornburgh | Director | Corsair Capital LLC<br>717 Fifth Avenue, 24th Floor<br>New York, 10022<br>USA |
| John Tiner | Director | 23 Savile Row, London<br>W1S 2ET, UK |
| Iris Bohnet Zürcher | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |
| Jean-Daniel Gerber | Director | Credit Suisse Group AG<br>Paradeplatz 8<br>8070 Zurich<br>Switzerland |

* *The composition of the boards of directors of Credit Suisse Group AG and Credit Suisse AG is identical.*

**ERISA matters**

We and certain of our affiliates may each be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**), or a "disqualified person" within the meaning of the United States Internal Revenue Code of 1986, as amended (the **code**) with respect to many employee benefit plans and individual retirement accounts, Keoghs and other plans subject to section 4975 of the code.

Certain transactions between an employee benefit plan and a party in interest or disqualified person may result in "prohibited transactions" within the meaning of ERISA and the code. Accordingly, structured products may not be purchased or held with the assets of (a) an "employee benefit plan" as defined in section 3(3) of ERISA, (b) a "plan" as defined in section 4975 of the code, or (c) an entity whose underlying assets include "plan assets" under US Department of Labor Regulation 29 CFR section 2510.3-101.

## APPENDIX 1 — GENERAL CONDITIONS OF THE STRUCTURED PRODUCTS

*These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the relevant Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions, the relevant Product Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The relevant Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.*

### 1. Definitions

"**Applicable Law**" means any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power;

"**Base Listing Document**" means the base listing document relating to Structured Products dated 15 April 2014 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

"**Board Lot**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Cash Settlement Amount**" has the meaning given to it in the relevant Product Conditions;

"**CCASS**" means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

"**CCASS Rules**" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"**CCASS Settlement Date**" has the meaning ascribed to the term "Settlement Date" in the CCASS Rules, subject to such modification and amendment presented by Hong Kong Securities Clearing Company Limited from time to time;

"**Conditions**" means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

"**CS Hong Kong**" means Credit Suisse (Hong Kong) Limited, which expression shall include any successors to Credit Suisse (Hong Kong) Limited for the purposes of maintaining the Register;

"**Global Certificate**" means, in respect of the relevant Structured Products, a global certificate by way of deed poll dated the Issue Date executed by the Issuer;

"**HKEx**" means Hong Kong Exchanges and Clearing Limited;

"**Holder**" means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as entitled to a particular number of Structured Products and such person shall be treated by the Issuer and CS Hong Kong as the absolute owner and holder of such number of Structured Products;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Issue Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Issuer**" means Credit Suisse AG;

"**Product Conditions**" means, in respect of each series of Structured Product, the product specific terms and conditions that apply to that Structured Product;

"**Register**" means the register in respect of the Structured Products maintained by the Registrar under General Condition 3;

"**Register Maintenance Agreement**" means:

(a) in respect of Warrants and CBBCs, the base register maintenance agreement and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document) dated 23 April 2003 as supplemented by a Confirmation (as defined in such Register Maintenance Agreement) relating to the Structured Products made between, inter alias, the Issuer and CS Hong Kong; or

(b) in respect of other structured products, the agreement specified as such in the relevant Supplemental Listing Document;

"**Registrar**" means CS Hong Kong or such other party as specified in the relevant Supplemental Listing Document;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Structured Products**" means derivative warrants ("**Warrants**"), callable bull/bear contracts ("**CBBCs**") and other structured products to be issued by the Issuer from time to time. References to "**Structured Products**" are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, include any further Structured Products issued pursuant to General Condition 9;

"**Supplemental Listing Document**" means the supplemental listing document relating to a particular series of Structured Products; and

"**Transfer Office**" means the specified office of CS Hong Kong or such other office as specified in the relevant Supplemental Listing Document.

## 2. Form, Status and Transfer

### 2.1 *Form*

The Structured Products are issued in registered form subject to and with the benefit of the Global Certificate and the relevant Register Maintenance Agreement. Copies of the Global Certificate and the relevant Register Maintenance Agreement are available for inspection at the Transfer Office.

The Holders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Global Certificate and the relevant Register Maintenance Agreement.

### 2.2 *Status*

The Structured Products represent general, unsecured, contractual obligations of the Issuer and of no other person and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

2.3 ***Transfer***

Transfers of beneficial interests in the Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

**3. Register and Transfer Office**

3.1 ***Maintenance of Register***

(a) In respect of each series of Structured Products, the Registrar will maintain a Register for that series.

The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar under the relevant Register Maintenance Agreement provided that it will at all times maintain or arrange for the maintenance of a Register.

Notice of any such termination or appointment and any change in the Transfer Office or the specified office of CS Hong Kong will be given to the Holders in accordance with General Condition 7.

(b) The Registrar will enter or cause to be entered the name, address and banking details of the Holders, the details of the relevant series of Structured Products held by any Holder including the number of Structured Products held, and any other particulars which it thinks proper.

(c) The Register will be maintained by the Registrar:

(i) in respect of a series of Warrants and CBBCs, in Hong Kong; and

(ii) in respect of other Structured Products, at such location as the Issuer and the Registrar may agree and specified in the relevant Supplemental Listing Document.

3.2 ***Registrar is the agent of the Issuer***

The Registrar for each series of Structured Products will be acting as the agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Holders.

**4. Purchases**

The Issuer and/or any of its respective affiliates may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

**5. Global Certificate**

Each series of the Structured Products is represented by a Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Holders will not be entitled to definitive certificates in respect of any Structured Products issued or transferred to them.

## 6. Meetings of Holders and Modifications to Conditions

### 6.1 *Meetings of Holders*

The relevant Register Maintenance Agreement contains provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution (as defined in the relevant Register Maintenance Agreement) of a modification of the provisions of the Structured Products or of the Global Certificate.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

### 6.2 *Modification*

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Global Certificate which, in the opinion of the Issuer, is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) made to correct a manifest error; or

(d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by CS Hong Kong as soon as practicable thereafter in accordance with General Condition 7.

## 7. Notices

All notices to Holders will be validly given if published in English and in Chinese on the website of HKEx. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

## 8. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Structured Products in whole or in part as a result of:

   (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

   (ii) the promulgation of, or any change in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

   (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Product held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holders in accordance with General Condition 7.

## 9. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further Structured Products so as to form a single series with the Structured Products.

## 10. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

## 11. Governing Law

The Structured Products, the Global Certificate and the relevant Register Maintenance Agreement will be governed by and construed in accordance with the laws of Hong Kong.

The Issuer and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products, the Global Certificate and the relevant Register Maintenance Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

## 12. Language

In the event of any inconsistency between the Chinese translation and the English version of these General Conditions and/or the applicable Product Conditions, the English version of these General Conditions and/or the applicable Product Conditions shall prevail.

## APPENDIX 2 — PRODUCT CONDITIONS OF THE WARRANTS


PART A — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE EQUITIES (CASH SETTLED) . . . . . . . . . . 32

PART B — PRODUCT CONDITIONS OF INDEX CALL/PUT WARRANTS (CASH SETTLED) . . . . . . . . . . 40

PART C — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE UNIT TRUSTS (CASH SETTLED) . . . . . . . . . . 45

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## PART A — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE EQUITIES (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

### 1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing prices of one Share, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Company**" means the company specified as such in the relevant Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single equities;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

## 2. Warrant Rights and Exercise Expenses

### 2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 2.2 *Exercise Expenses*

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

## 3. Exercise of Warrants

### 3.1 *Exercise of Warrants in Board Lots*

Warrants may only be exercised in Board Lots or integral multiples thereof.

### 3.2 *Automatic Exercise*

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

### 3.3 *Cancellation*

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

### 3.4 *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

## 4. Adjustments

### 4.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

**5. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

**6. Delisting**

6.1 If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

# PART B — PRODUCT CONDITIONS OF INDEX CALL/PUT WARRANTS (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

**1. Definitions**

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot:

(a) in respect of a series of call Warrants:

$$\frac{\text{(Closing Level - Strike Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

(b) in respect of a series of put Warrants:

$$\frac{\text{(Strike level - Closing Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

"**Closing Level**" has the meaning given to it in the relevant Supplement Listing Document, subject to the adjustment in accordance with Product Condition 4;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Divisor**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**First Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified as such in the relevant Supplemental Listing Document;

"**Index Compiler**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Interim Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

**"Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

(i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

(ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

(iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or; (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**", if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled index call/put Warrants;

"**Second Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Strike Level**" means the level specified as such in the relevant Supplemental Listing Document, subject to adjustment in accordance with Product Condition 4; and

"**Valuation Date**" means the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

## 2. Warrant Rights and Exercise Expenses

### 2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3 the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 2.2 *Exercise Expenses*

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

## 3. Exercise of Warrants

### 3.1 *Exercise of Warrants in Board Lots*

Warrants may only be exercised in Board Lots or integral multiples thereof.

3.2 ***Automatic Exercise***

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

3.3 ***Cancellation***

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 ***Cash Settlement***

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

**4. Adjustments to the Index**

4.1 ***Successor Index Compiler Calculates and Reports Index***

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

4.3 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.4 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

# PART C — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

## 1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing prices of one Unit, as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single unit trusts;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Trust**" means the trust specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

## 2. Warrant Rights and Exercise Expenses

### 2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 2.2 *Exercise Expenses*

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

## 3. Exercise of Warrants

### 3.1 *Exercise of Warrants in Board Lots*

Warrants may only be exercised in Board Lots or integral multiples thereof.

### 3.2 *Automatic Exercise*

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

### 3.3 *Cancellation*

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

### 3.4 *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

## 4. Adjustments

### 4.1 *Rights Issues*

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjustment Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of on the Stock Exchange on the last Business Day on which the Units are traded on a cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

### 4.2 *Bonus Issues*

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Business Day on which trading in the Units of the Trust becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

Adjustment Factor = 1 + N

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

### 4.3 *Subdivisions or Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

### 4.4 *Merger or Consolidation*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date.

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

**5. Termination or Liquidation**

5.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5.2 For the purpose of this Product Condition 5, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

## 6. Delisting

6.1 If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

# PART D — PRODUCT CONDITIONS OF CALL/PUT WARRANTS OVER SINGLE FOREIGN EQUITIES (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

## 1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the official closing prices of one Share, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price - Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price - Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(if applicable) converted from Underlying Currency into the Settlement Currency at the Exchange Rate

"**Company**" means the company specified as such in the relevant Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exchange Rate**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Supplemental Listing Document;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Underlying Exchange or otherwise) on the Underlying Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(b) a closure of the Underlying Exchange or a disruption or limitation in trading on the Underlying Exchange due to any other unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled call/put Warrants over single foreign equities;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Supplemental Listing Document; and

"**Underlying Currency**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Underlying Exchange**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Underlying Exchange Business Day**" means a day (excluding Saturdays) on which the Underlying Exchange is scheduled to open for dealings during its regular trading sessions;

"**Valuation Date**" means each of the five Underlying Exchange Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Underlying Exchange Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on an Underlying Exchange Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the official closing price of the Shares on the first succeeding Underlying Exchange Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five official closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Underlying Exchange Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the official closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

## 2. Warrant Rights and Exercise Expenses

### 2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with the General Conditions and these Product Conditions, in particular, Product Condition 3, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 2.2 *Exercise Expenses*

Upon exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

## 3. Exercise of Warrants

### 3.1 *Exercise of Warrants in Board Lots*

Warrants may only be exercised in Board Lots or integral multiples thereof.

### 3.2 *Automatic Exercise*

Any Warrant will be deemed to be automatically exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3.4.

Any Warrant which has not been automatically exercised in accordance with this Product Condition shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

### 3.3 *Cancellation*

The Issuer will procure that CS Hong Kong will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which (i) are the subject of a valid exercise pursuant to automatic exercise in accordance with these Product Conditions; or (ii) have expired worthless, and thereby cancel the relevant Warrants.

3.4 ***Cash Settlement***

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

## 4. Adjustments

4.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times \text{E}$$

Where:

$$\text{Adjustment Factor} = \frac{1 + \text{M}}{1 + (\text{R/S}) \times \text{M}}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the official closing price of an existing Share on the Underlying Exchange on the last Underlying Exchange Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be adjusted on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

### 4.4 *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Underlying Exchange Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

### 4.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's official closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The official closing price of the existing Share on the Underlying Exchange on the Underlying Exchange Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

4.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

4.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

## 5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

## 6. Delisting

6.1 If at any time the Shares cease to be listed on the Underlying Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Underlying Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

6.3 The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

# APPENDIX 3 — PRODUCT CONDITIONS OF THE CBBCs

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# PART A — PRODUCT CONDITIONS OF INDEX CALLABLE BULL/BEAR CONTRACTS (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

## 1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Level**" means the level specified as such in the relevant Supplemental Listing Document, subject to any adjustments in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Closing Level - Strike Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

(ii) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Strike Level - Closing Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate.

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Level is equal to the Strike Level;

"**Category R CBBCs**" means a series of CBBCs where the Call Level is different from the Strike Level;

"**Closing Level**" has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Divisor**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Exchange Rate**", if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**First Exchange Rate**", if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified as such in the relevant Supplemental Listing Document;

"**Index Business Day**" means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

"**Index Compiler**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Interim Currency**", if applicable, means the currency specified as such in the relevant Supplemental Listing Document;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Level at any time during an Index Business Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Level; or

(b) in the case of a series of bear CBBCs, at or above the Call Level;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on the Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

(i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

(ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

(iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (a), (i) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (ii) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in the Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Maximum Index Level**" means, in respect of Category R CBBCs, the highest Spot Level of the Index during the MCE Valuation Period;

"**MCE Valuation Period**" means:

(a) in respect of an Index Exchange located in Hong Kong, the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Index Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

(i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level published by the Index Compiler and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only; and

(b) in respect of an Index Exchange located outside Hong Kong, the period specified in the relevant Supplemental Listing Document;

"**Minimum Index Level**" means, in respect of Category R CBBCs, the lowest Spot Level of the Index during the MCE Valuation Period;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Price Source**", if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled index callable bull/bear contracts;

“**Residual Value**” means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Minimum Index Level - Strike Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{(Strike Level - Maximum Index Level) x Index Currency Amount x one Board Lot}}{\text{Divisor}}$$

either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate;

“**Second Exchange Rate**”, if applicable, means the rate specified as such in the relevant Supplemental Listing Document;

“**Settlement Currency**” means the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“**Spot Level**” means:

(a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or

(b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Strike Level**” means the level specified as such in the relevant Supplemental Listing Document, subject to adjustment in accordance with Product Condition 5;

“**Trading Day**” means the day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“**Valuation Date**” has the meaning given to it in the relevant Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

## 2. Hedging Disruption

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (including, without limitation, any hedging transaction with respect to options or futures relating to the Index, or any currency in which the components of the Index are denominated) (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer 's obligations in respect of the CBBCs, or (Y) to freely realise, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the components comprising the Index;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

## 3. CBBC Rights and Exercise Expenses

### 3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

## 4. EXERCISE OF CBBCs

### 4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

### 4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

### 4.3 *Mandatory Call Event*

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7.

Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of a valid exercise in accordance with these Product Conditions or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

**5. Adjustments to the Index**

5.1 ***Successor Index Compiler Calculates and Reports Index***

If the Index is (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer, or (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

5.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the closing level on the Valuation Date using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

5.3 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.4 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

# PART B — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

**1 Definitions**

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**Closing Price**" means the official closing price of the Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of "Valuation Date";

"**Company**" means the company specified as such in the relevant Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

**"Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Price of the Shares at any time during a Trading Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Maximum Trade Price**" means, in respect of Category R CBBCs, the highest Spot Price of the Shares during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**Minimum Trade Price**" means, in respect of Category R CBBCs, the lowest Spot Price of the Shares during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single equities;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Shares**" means the shares of the Company specified as such in the relevant Supplemental Listing Document;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

**2. Hedging Disruption**

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer 's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Shares;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

**3. CBBC Rights and Exercise Expenses**

3.1 ***CBBC Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

3.2 ***Exercise Expenses***

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

**4. EXERCISE OF CBBCs**

4.1 ***Exercise of CBBCs in Board Lots***

CBBCs may only be exercised in Board Lots or integral multiples thereof.

4.2 ***Automatic exercise***

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

4.3 ***Mandatory Call Event***

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

## 5. Adjustments

5.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which Shares are traded on a Cum-Rights basis

R: Subscription price per new Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

5.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

**6. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

## 7. Delisting

### 7.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

### 7.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 7.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

### 7.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

# PART C — PRODUCT CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUSTS (CASH SETTLED)

*These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the General Conditions and the relevant Supplemental Listing Document.*

**1. Definitions**

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as:

(a) following a Mandatory Call Event:

(i) in respect of a series of Category R CBBCs, the Residual Value; or

(ii) in respect of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in respect of a series of bull CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(ii) in respect of a series of bear CBBCs, an amount equal to:

$$\frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**Closing Price**" means the official closing price of the Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date. If a Market Disruption Event occurs on each of the four Trading Days immediately following the scheduled Valuation Date, then the Issuer shall determine the Closing Price in accordance with the definition of "Valuation Date";

"**Designated Bank Account**" means the relevant bank account designated by the relevant Holder;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the CBBCs;

"**Expiry Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

**"Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Mandatory Call Event**" occurs if the Spot Price of the Units at any time during a Trading Day in the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in: (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any other unforeseen circumstances;

"**Maximum Trade Price**" means, in respect of Category R CBBCs, the highest Spot Price of the Units during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd**

**Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting for the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Stock Exchange following the 2nd Session during which Spot Prices are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the day on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Prices are available. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Trading Day on the Stock Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**Minimum Trade Price**" means, in respect of Category R CBBCs, the lowest Spot Price of the Units during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" means the amount specified as such in the relevant Supplemental Listing Document;

"**Observation Commencement Date**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" has the meaning given to it in the relevant Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions. These Product Conditions apply to each series of cash settled callable bull/bear contracts over single unit trusts;

"**Residual Value**" means, in respect of every Board Lot:

(a) in respect of a series of bull CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

and

(b) in respect of a series of bear CBBCs, an amount calculated by the Issuer equal to:

$$\frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session of the Stock Exchange in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (IEP) (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 5;

"**Trading Day**" means a day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

"**Trust**" means the trust specified as such in the relevant Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless the Issuer determines, in its sole and absolute discretion, that a Market Disruption Event has occurred, then that day shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price on the basis of its good faith estimate of the price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

**2. Hedging Disruption**

2.1 ***Notification***: The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with General Condition 7 if it determines that a Hedging Disruption Event has occurred. The notice shall specify the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Product Condition 2.3.

2.2 ***Hedging Disruption Event***: A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially (X) to establish, re-establish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer 's obligations in respect of the CBBCs or (Y) to freely realize, recover, receive, repatriate, remit or transfer the proceeds of the Relevant Hedging Transactions between accounts within the jurisdiction of the Relevant Hedging Transactions (the "**Affected Jurisdiction**") or from accounts within the Affected Jurisdiction to accounts outside of the Affected Jurisdiction. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(a) any material illiquidity in the market for the Units;

(b) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(c) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(d) the general unavailability of:

(i) market participants who will agree to enter into a Relevant Hedging Transaction; or

(ii) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

2.3 ***Consequences***: The Issuer, in the event of a Hedging Disruption Event, may determine to:

(a) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 7; or

(b) make any other adjustment to the Product Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

## 3. CBBC Rights and Exercise Expenses

### 3.1 *CBBC Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 4, the right to receive the payment of the Cash Settlement Amount (net of any Exercise Expenses), if any.

### 3.2 *Exercise Expenses*

On exercise of the CBBCs, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 4.

## 4. EXERCISE OF CBBCs

### 4.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

### 4.2 *Automatic exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is greater than zero (without notice being given to the Holders).

### 4.3 *Mandatory Call Event*

(a) Subject to Product Condition 4.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (net of any Exercise Expenses) (if any) on the Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of the Stock Exchange and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

(ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than the time specified in the relevant Supplemental Listing Document or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

4.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

4.5 ***Exercise Expenses***

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 4, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

4.6 ***Cancellation***

The Issuer will procure that the Registrar will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be), remove from the Register the name of the person in respect of the CBBCs which (a) are the subject of an exercise in accordance with these Product Conditions; or (b) have expired worthless, and thereby cancel the relevant CBBCs.

4.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be) in accordance with these Product Conditions, the Issuer will make a payment in respect of every Board Lot to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expense, no amount is payable by the Issuer.

The Cash Settlement Amount shall be despatched not later than the Settlement Date by crediting that amount in accordance with the CCASS Rules to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

4.8 ***Responsibility of Issuer and Registrar***

None of the Issuer, the Registrar or their respective agents shall have any responsibility for (i) any errors or omissions in the calculation and dissemination of any variables published by a third party; and (ii) any errors or omissions in any calculation made by the Issuer pursuant to the Conditions (including the calculation of the Cash Settlement Amount) if such error or omission in calculation arises from the use of errors or omissions in any variables calculated, disseminated or published by a third party.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

4.9 ***Liability of Issuer and Registrar***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Registrar shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

4.10 ***Trading in the CBBCs***

Subject to Product Condition 4.3(b), trading in CBBCs on the Stock Exchange shall cease (a) immediately upon the occurrence of a Mandatory Call Event or (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session), whichever is the earlier.

**5. Adjustments**

5.1 ***Rights Issues***

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: The existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

5.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement shall be adjusted on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issues Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: The existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment shall be made to the Entitlement. In addition, if adjustment is to be made to the Entitlement, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

5.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), then:

(a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto shall be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be decreased in the same ratio as the Subdivision; and

(b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto shall be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) shall be increased in the same ratio as the Consolidation, in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

5.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving trust in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 5.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

5.5 ***Cash Distributions***

No adjustment shall be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment shall be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (each of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5.6 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

5.7 ***Notice of Determinations***

All determinations made by the Issuer pursuant hereto shall be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

**6. Termination or Liquidation**

6.1 In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6.2 For the purpose of this Product Condition 6, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the

Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

**7. Delisting**

7.1 ***Adjustments following delisting***

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to the General Conditions and these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

7.2 ***Listing on another exchange***

Without prejudice to the generality of Product Condition 7.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the General Conditions and these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7.3 ***Adjustments binding***

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7, as soon as practicable after they are determined.

# APPENDIX 4 — OUR GENERAL INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2013

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the following sections from the Credit Suisse annual report 2013 in this appendix 4. References to the following page numbers in this appendix 4 are to the pages in the Credit Suisse annual report 2013 and not to the pages in this document.

1 Risk management (pages 115 - 140);

2 Board of Directors (pages 153 - 166);

3 Executive Board (pages 167 - 172);

4 Additional information (pages 173 - 175); and

5 Compensation (pages 176 - 204).

# Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank and continued to be a key focus area in 2013. During the year, we took additional steps to adapt our businesses and our risk management approaches and methodologies to the new regulatory requirements. In 2013, overall position risk increased 7%, utilized economic capital increased 4%, average risk management VaR in US dollars for our trading books decreased 27% and our impaired loans decreased 14% to CHF 1.5 billion.

## KEY RISK DEVELOPMENTS IN 2013

2013 was a year marked by a persisting low interest environment, good performance of the Swiss economy, economic recovery in most EU countries, advanced US economic recovery and a challenging regulatory environment.

To support the recovery of the weak economy, major central banks continued their unprecedented liquidity support and near zero interest rate policy during 2013. Supported by the search for yield, low credit quality and high-yield instruments attracted investors' capital; in some cases, issuance volumes were higher and spreads lower than prior to the financial crisis of 2008. In particular, the ratio of issuances with CCC ratings and below has risen significantly. In September 2013, US regulators expressed concerns around current underwriting standards and requested that more conservative risk criteria be implemented industry wide.

The regulatory environment for the Group remained challenging during 2013. Since January 1, 2013, the Group has operated under the Basel III regulatory framework, whereas the Basel III implementation for banks in the EU (CRD IV) and the US is planned to start in 2014. As part of the transition to CRD IV, the PRA has reviewed the permissions of UK financial institutions, including those of our subsidiaries, to use their current internal modeling for capital calculation purposes as well as new models required for CRD IV compliance. The majority of the models for our subsidiaries were approved by the PRA while certain of our models will require updates in line with latest BCBS guidance and regulatory feedback on modeling techniques.

Also, the Basel III regulatory framework has introduced standards for liquidity risk measurement and monitoring, including LCR and NSFR. LCR is as a comprehensive measure addressing short-term liquidity risk over a 30-day period while NSFR is a comprehensive measure for long-term liquidity risk addressing the funding of a bank's assets and activities over a one-year horizon. In January 2014, the BCBS issued final LCR rules and disclosure requirements that are to be implemented as part of banks' regular disclosures after January 1, 2015. The observation period for this metric started in 2013, allowing for appropriate preparation to comply with this regulatory liquidity requirement.

▸ Refer to "Regulatory framework" in Liquidity and funding management for information on LCR and NSFR.

We observed a trend towards a more stringent interpretation of existing capital rules, in particular regarding operational risk, and a growing focus on more standardized and simpler risk measures. The roll-out for the expanded operational risk framework has been ongoing. Furthermore, there are increased requirements from regulators across the globe towards establishing effective recovery and resolution plans (RRP).

In Investment Banking, there has been a continued emphasis on the strategy of reducing our balance sheet and risk-weighted assets thereby decreasing the overall capacity for risk taking.

In Private Banking & Wealth Management, in anticipation of evolving regulatory requirements such as the pending enactment of the revised Markets in Financial Instruments Directive (MiFID II) and related regulation, the risk focus was on client suitability and appropriateness, tax compliance and cross-border business activities.

New credit provisions remained at a low level across both business divisions.

Reputational risk remained a major focus during 2013. Procedures have been improved as well as the awareness of our staff towards reputational risk-related issues. We have continued to adapt our business approach with respect to certain countries and industries with higher reputational risk as well as transactions with politically exposed persons.

The risk appetite framework has been further enhanced for 2014 with improved capital tests capturing additional operational and pension-related risks as well as including additional forward-looking scenarios. These enhancements include position loss triggers allocated to specific business levels and throughout the organization.

## RISK MANAGEMENT OVERSIGHT

### Risk culture

We base our business operations on conscious, disciplined and intelligent risk taking. We believe in independent risk management, compliance and audit processes with proper management accountability for the interests and concerns of our stakeholders.

### Risk governance

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we are working to continuously strengthen our risk function, which is independent of, but closely interacts with, the front office functions to ensure the appropriate flow of information and strong controls. We have comprehensive risk management processes and sophisticated control systems, and we are working to limit the impact of negative developments by carefully managing concentrations of risks.

**Risk organization**

We manage risk in our internal control environment; however, risks arise in all of our business activities and cannot be eliminated completely. Our risk management organization reflects the specific nature of the various risks to ensure that risks are managed within limits set in a transparent and timely manner. At the level of the Board, including through its committees, this includes the following responsibilities:

- Board: responsible to shareholders for the strategic direction, supervision and control of the Group, and for defining our overall tolerance for risk in the form of a risk appetite statement and overall risk limits;
- Risk Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits; and
- Audit Committee: responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Overall risk limits are set by the Board in consultation with its Risk Committee. Committees have been established at senior management level to further support the risk management function.

The Capital Allocation & Risk Management Committee (CARMC) reviews risk exposures, concentration risks and risk-related activities on a monthly basis. CARMC is responsible for supervising and directing our risk profile on a consolidated basis, recommending risk limits to the Risk Committee and the Board, and for establishing and allocating risk limits among the various businesses. CARMC monthly meetings rotate through the following three cycles: (i) Asset & Liability Management including capital, funding and liquidity; (ii) Market & Credit Risks; and (iii) Internal Control Systems including operational risks, legal and compliance issues and internal control matters. In the Market & Credit Risks cycle, the Credit Portfolio & Provisions Review Committee, a subcommittee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

### Key management bodies and committees


[1] Includes ALM, capital, funding and liquidity [2] Facilitated by the Credit Portfolio & Provisions Review Committee
[3] Includes operational risks, legal and compliance issues and internal control matters [4] Risk Management Committee

The Risk Processes & Standards Committee is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters.

The Reputational Risk & Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risks and sustainability issues. There are also divisional risk management committees.

The risk committees are further supported by Treasury, which is responsible for the management of our balance sheet, capital management, liquidity and related hedging policies.

Given the increasingly complex regional regulatory requirements, a dedicated UK CRO function has been developed to ensure risk management is fully integrated at all levels of the organization. As an important contact with UK regulators, the UK CRO is key in ensuring risk management issues are properly escalated and addressed, strong risk controls are established and capital usage is optimized. In addition, a more robust governance framework is being implemented for US operations which includes the appointment of a dedicated US CRO. The development of these functions is key to ensuring the increasingly complex regulatory requirements are fully met in each region.

The risk management function reports to the CRO, who is independent of the business and is a member of the Executive Board. In 2013, the function covered:

- Strategic Risk Management;
- Risk Analytics and Reporting;
- Credit Risk Management;
- Operational Risk Management, including:
  - Business Continuity Management;
  - Technology Risk Management; and
- Reputational Risk Management.

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage all risk management matters through four primary risk functions: Strategic Risk Management assesses the Group's overall risk profile on a strategic basis, recommending corrective action where necessary, and is also responsible for market risk management including measurement and limits; Risk Analytics and Reporting is responsible for risk analytics, reporting, systems implementation and policies; Credit Risk Management is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances; Operational Risk Management establishes and maintains Group-wide standards, processes and tools for the identification, assessment, management and monitoring of operational risks. Through Business Continuity Management, Operational Risk Management assesses and manages potential impacts that threaten the organization in case of operational disruption, crisis or disaster; and through Technology Risk Management, Operational Risk Management oversees IT-related risk aspects.

**Risk types**

Within our risk framework, we have defined the following types of risk:

Management risks

- Strategy risk: outcome of strategic decisions or developments; and
- Reputational risk: damage to our standing in the market.

Chosen risks

- Market risk: changes in market factors such as prices, volatilities and correlations;
- Credit risk: changes in the creditworthiness of other entities; and
- Expense risk: difference between expenses and revenues in a severe market event.

Consequential risks

- Operational risk: inadequate or failed internal processes, people and systems (including cyber risk), or external events; and
- Liquidity risk: inability to fund assets or meet obligations at a reasonable price.

Management risks are difficult to quantify. Management of strategy risk is addressed at the Board and Executive Board level, and a process has been implemented to globally capture and manage reputational risk. Chosen risks are, in general, highly quantifiable, but are challenging in complexity and scale, especially when aggregated across all positions and types of financial instruments. For operational risk management, we have primarily set up processes at Group, divisional and regional levels. Liquidity management is centralized with Treasury.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *www.credit-suisse.com/pillar3*.

**Risk appetite and risk limits**

We have a risk appetite framework that establishes key principles for managing our risks to ensure a balance of return and assumed risk, stability of earnings and appropriate capital levels. The key aspect of our risk appetite framework is a sound system of integrated risk limits to control overall risk taking capacity and serve as an essential decision-making tool for senior management. Our risk appetite framework is guided by the following general principles:

- managing the business to a target credit rating;
- meeting regulatory requirements and expectations;
- ensuring capital adequacy;
- maintaining low exposure to stress events;
- maintaining stability of earnings; and
- ensuring sound management of liquidity and funding risk.

Risk appetite is annually reviewed and determined by the Board, taking into account strategic and business planning, and enforced by a detailed framework of portfolio and position limits, guidelines and targets at both the Group and divisional levels as well as for certain legal entities. Risk appetite is defined in quantitative terms using risk limits and tolerance levels, capital ratios, scenario results as well as risk-weighted assets and balance sheet size.

The following chart gives an overview of the Group's risk appetite framework reflecting selected Group-wide and division-specific quantitative and qualitative elements.

**Risk appetite framework**

| | Group-wide | Division-specific | |
| --- | --- | --- | --- |
| | | Private Banking & Wealth Management | Investment Banking |
| Selected quantitative elements | – Economic capital limits<br>– Liquidity ratios<br>– Leverage ratios<br>– Scenario loss limits<br>– Risk-weighted assets<br>– Balance sheet size | – Economic capital limits<br>– Market risk limits<br>– Credit risk limits<br>– Operational risk tolerance levels | |
| Selected qualitative elements | – Compliance with international and local laws<br>– Reputational risk | – Avoidance of concentration risks<br>– Adherence to suitability & appropriateness requirements<br>– Compliance with industry guidelines and internal policies | |

A sound system of risk limits is fundamental to effective risk management. The limits define our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

We use an economic capital limit structure to manage overall risk taking. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstances where a breach of these limits would occur, it would result in an immediate notification to the Chairman of the Board's Risk Committee and the CEO of the Group, and written notification to the full Board at its next meeting. Following notification, the CRO can approve positions that exceed the Board limits by no more than an approved percentage, with any such approval being reported to the full Board. Positions that exceed the Board limits by more than such approved percentage can only be approved by the CRO and the full Board acting jointly. In 2013 and 2012, no Board limits were exceeded.

In the context of the overall risk appetite of the Group, as defined by the limits set by the Board, CARMC is responsible for setting divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. For this purpose, a detailed framework of more than 100 individual risk limits designed to control risk taking at a granular level by individual businesses and in the aggregate is used. Limit measures used include ▷ VaR, economic capital, risk exposure, risk sensitivity and scenario analysis. The framework encompasses specific limits on a large number of different product and risk type concentrations. For example, there are consolidated controls over trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed money and emerging market country exposures. Risk limits allocated to lower organizational levels within the businesses also include a system of individual counterparty credit limits. CARMC limits are binding and generally set at a tight level to ensure that any meaningful increase in risk exposures is promptly escalated. The head of Strategic Risk Management for the relevant division or certain other members of senior management have the authority to temporarily increase the CARMC limits by an approved percentage for a period not to exceed 90 days. Any CARMC limit excess is subject to a formal escalation procedure and must be remediated or expressly approved by senior management. Senior management approval is valid for a standard period of ten days (or fewer than ten days for certain limit types) and approval has to be renewed for additional standard periods if an excess is not remediated within the initial standard period. The majority of these limits are monitored on a daily basis. Limits for which the inherent calculation time is longer are monitored on a weekly basis. A smaller subset of limits relating to exposures for which the risk profile changes more infrequently (for example, those relating to illiquid investments) is monitored on a monthly basis. In 2013, 97% of all limit excesses were resolved within the approved standard period.

## STRESS TESTING FRAMEWORK

Stress testing is a fundamental element of our Group-wide risk appetite framework included in the overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, in risk appetite discussions and strategic business planning, and to support our internal capital adequacy assessment.

Our stress testing framework is comprehensive and governed through a dedicated steering committee. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management, the business divisions and regulators.

Stress tests are carried out to determine stressed position loss, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market risk, credit default, operational risk, business risk and pension risk. The stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality (SFTQ) is our main scenario used for Group-wide stress testing and risk appetite setting. It is a combination of market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The SFTQ scenario assumes a severe market crash in equity and commodity markets, along with a widening of credit spreads and stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. A Risk Council comprised of internal economists, front office and representatives of the Risk division discusses the backdrop to several forward-looking scenarios. The Risk Council reviews a wide range of scenarios and selects those that are most pertinent to agree on key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, Middle East conflict and the impact of monetary policy changes by central banks. The scenarios are reviewed and updated regularly as markets and business strategies evolve.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Stress testing is also used to support our internal capital adequacy assessment. Within the risk appetite framework, the Board sets Group-wide stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of Basel III CET1 capital and look-through capital ratios.

Stress tests also form an integral part of the Group's RRP. Within the RRP, stress tests provide indicative scenario severity required to reach recovery and resolution capital levels.

▸ Refer to "Regulation and supervision" in I – Information on the company for information on regulatory developments regarding RRPs.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various periodic stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis.

## ECONOMIC CAPITAL AND POSITION RISK

### Overview

Economic capital is used as a consistent and comprehensive tool for risk management, capital management and performance measurement. It is our core Group-wide risk management tool for measuring and reporting all quantifiable risks. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent, even under extreme market, business and operational conditions, given our target financial strength (our long-term credit rating). It also provides a common terminology for risk across the Group, which increases risk transparency and improves knowledge sharing. The development and use of economic capital methodologies and models have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

Under Pillar 2 of the Basel framework (also referred to as the Supervisory Review Process), banks are required to implement a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with their overall risk profile and the current operating environment. Our economic capital framework has an important role under Pillar 2, as it represents our internal view of the amount of capital required to support our business activities.

Economic capital is calculated separately for position risk, operational risk and other risks. These three risks are used to determine our utilized economic capital and are defined as follows:

- Position risk: the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes). Position risk is used to assess, monitor and report risk exposures throughout the Group;
- Operational risk: the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon which is exceeded with a given

small probability (0.03%). Estimating this type of economic capital is inherently more subjective and reflects quantitative tools and senior management judgment; and

- Other risks: the risks not captured by the above, which primarily includes expense risk, pension risk, impact from deferred share-based compensation awards, foreign exchange risk between economic capital resources and utilized economic capital and risk on real estate held for own use. Expense risk is defined as the difference between expenses and revenues in a severe market event, excluding those elements captured by position risk and operational risk. Pension risk is defined as the potential under-funding of our pension obligations in an extreme event.

We regularly review our economic capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In response to economic realities, we modify our economic capital model in advance of regulatory changes. For example, requirements such as capital charges equivalent to an IRC and CVA were an integral part of our economic capital model prior to the 2008 financial crisis.

In 2013, we made the following enhancements to the position risk methodology for risk management purposes: In fixed income trading, we improved the modeling of interest rate options and for our non-recourse lending business, we refined the modeling of our equity-based collateral to better capture the market risk associated with liquidating the collateral in a stressed environment.

Prior-period balances have been restated for methodology changes in order to show meaningful trends. The total net impact of 2013 methodology changes on position risk for the Group as of December 31, 2012 was a decrease of CHF 147 million, or 1%.

For utilized economic capital used for capital management purposes, in addition to adopting the above position risk methodology changes, we made the following enhancements:

- for other risks, we recalibrated our model reserve component to capture certain market risks not included in the position risk framework; this included credit concentration exposures with global systemically important financial institutions and reflected an estimate of the impact of the planned recalibration of our expense risk model shocks; simultaneously with the methodology change on position risk for non-recourse lending we reversed our previously budgeted estimate for this planned methodology change as reflected in other risks; and
- for operational risk, we increased our operational risk capital by 4% in order to reflect revised expected impacts from the ongoing modeling review, now scheduled to conclude in early 2014. This increase was in addition to the 20% increase in operational risk capital in 2012, when, following discussions with FINMA, we initiated a project to enhance our economic capital/AMA methodology to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance.

Prior-period balances have been restated for 2013 methodology changes in order to show meaningful trends. The net impact of all methodology changes on utilized economic capital for the Group as of December 31, 2012 was a net increase of CHF 905 million, or 3%.

For economic capital resources, in connection with the implementation of Basel III, we recalibrated the definition of our economic capital resources. Economic capital adjustments are applied to Look-through CET1 capital under Basel III. Previously, we applied the economic capital adjustments to tier 1 capital under the then-applicable Basel II.5 framework. We have also recalibrated our economic adjustments. The net impact of the change on economic capital resources for the Group as of December 31, 2012 was a decrease of CHF 13.8 billion, or 30%, primarily driven by the exclusion of hybrid capital instruments under Basel III, adjustments with respect to pension assets and liabilities and changes to the recognition of deferred tax assets, partially offset by the inclusion of high-trigger capital instruments.

## Group position risk

| | | | end of | | % change |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 13 / 12 | 12 / 11 |
| **Position risk (CHF million)** | | | | | |
| Fixed income trading [1] | 3,318 | 2,489 | 2,881 | 33 | (14) |
| Equity trading & investments | 1,715 | 1,893 | 2,188 | (9) | (13) |
| Private banking corporate & retail lending | 2,350 | 2,382 | 2,182 | (1) | 9 |
| International lending & counterparty exposures | 4,957 | 4,260 | 4,009 | 16 | 6 |
| Emerging markets country event risk | 1,412 | 1,041 | 860 | 36 | 21 |
| Real estate & structured assets [2] | 1,862 | 1,985 | 2,157 | (6) | (8) |
| **Simple sum across risk categories** | **15,614** | **14,050** | **14,277** | 11 | (2) |
| Diversification benefit [3] | (3,571) | (2,820) | (2,660) | 27 | 6 |
| **Position risk (99% confidence level for risk management purposes)** | **12,043** | **11,230** | **11,617** | 7 | (3) |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.
[1] This category comprises fixed income trading, foreign exchange and commodity exposures.
[2] This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.
[3] Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

### Key position risk trends

Compared to the end of 2012, position risk for risk management purposes increased 7%. Excluding the US dollar translation impact, position risk increased 10%, mainly due to higher foreign exchange, interest rate and credit spread exposure in fixed income trading as well as new loan commitments and increased counterparty risk in Investment Banking for international lending & counterparty exposures. Position risk also increased due to increased exposures in Eastern Europe in emerging markets country event risk. These increases were partially offset by reduced exposures in equity trading & investments due to private equity sales.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

## Economic capital

| | | | Group | | | Bank [1] |
|---|---|---|---|---|---|---|
| end of | 2013 | 2012 | % change | 2013 | 2012 | % change |
| **Economic capital resources (CHF million)** | | | | | | |
| Look-through CET1 capital (Basel III) | 26,480 | 22,690 | 17 | 23,623 | 14,653 | 61 |
| Economic adjustments [2] | 11,464 | 9,391 | 22 | 12,566 | 10,744 | 17 |
| **Economic capital resources** | **37,944** | **32,081** | 18 | **36,189** | **25,397** | 42 |
| **Utilized economic capital (CHF million)** | | | | | | |
| Position risk (99.97% confidence level) | 21,262 | 19,798 | 7 | 21,114 | 19,642 | 7 |
| Operational risk | 4,195 | 4,093 | 2 | 4,195 | 4,093 | 2 |
| Other risks [3] | 6,821 | 7,210 | (5) | 4,743 | 5,143 | (8) |
| **Utilized economic capital** | **32,278** | **31,101** | 4 | **30,052** | **28,878** | 4 |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

[1] The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks.

[2] Includes primarily high-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets, adjustments to treatment of pensions and anticipated capital-relevant dividends. Economic adjustments are made to Look-through CET1 capital to enable comparison between economic capital utilization and economic capital resources under the Basel III framework.

[3] Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between economic capital resources and utilized economic capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain methodology changes planned for 2014.

## Economic capital by segment

| in / end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Utilized economic capital by segment (CHF million)** | | | |
| Private Banking & Wealth Management | 9,200 | 9,646 | (5) |
| Investment Banking | 20,852 | 19,232 | 8 |
| Corporate Center [1] | 2,244 | 2,242 | 0 |
| **Utilized economic capital – Group [2]** | **32,278** | **31,101** | 4 |
| **Utilized economic capital – Bank [3]** | **30,052** | **28,878** | 4 |
| **Average utilized economic capital by segment (CHF million)** | | | |
| Private Banking & Wealth Management | 9,554 | 9,965 | (4) |
| Investment Banking | 19,910 | 20,241 | (2) |
| Corporate Center [1] | 2,250 | 2,438 | (8) |
| **Average utilized economic capital – Group [4]** | **31,695** | **32,626** | (3) |
| **Average utilized economic capital – Bank [3]** | **29,464** | **30,206** | (2) |

Prior-period balances have been restated for methodology changes in order to show meaningful trends.

[1] Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between economic capital resources and utilized economic capital.

[2] Includes a diversification benefit of CHF 18 million and CHF 19 million as of December 31, 2013 and 2012, respectively.

[3] The major difference between economic capital of the Group and the Bank relates to the risks within Neue Aargauer Bank AG, BANK-now AG and Corporate Center. These risks include position and other risks.

[4] Includes a diversification benefit of CHF 19 million and CHF 18 million as of December 31, 2013 and 2012, respectively.

**Utilized economic capital trends**

Over the course of 2013, our utilized economic capital increased 4%. Excluding the US dollar translation impact, utilized economic capital increased 6%, mainly due to increased position risk in international lending & counterparty exposures, fixed income trading and emerging markets country event risk, partially offset by reduced equity trading & investments risk.

For Private Banking & Wealth Management, utilized economic capital decreased 5%, mainly due to lower position risk in equity trading & investments and private banking corporate & retail lending, partially offset by increased deferred share-based compensation awards in other risks.

For Investment Banking, utilized economic capital increased 8%. Excluding the US dollar translation impact, utilized economic capital increased 11%, largely due to increased position risk in international lending & counterparty exposures, fixed income trading and emerging markets country event risk. The increases were partially offset by decreased deferred share-based compensation awards in other risks.

Corporate Center utilized economic capital was stable as an increase in foreign exchange risk between economic capital resources and utilized economic capital was largely offset by lower expense risk.

## MARKET RISK

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. We define our market risk as potential changes in the fair value of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

We devote considerable resources to ensuring that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organizational levels, from the overall risk positions at the Group level down to specific portfolios. We use market risk measurement and management methods designed to meet or exceed industry standards. These include general tools capable of calculating comparable exposures across our many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Our principal market risk measurement methodologies are ◎ VaR and scenario analysis. Additionally, our market risk exposures are reflected in our economic capital calculations. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

With changes in the regulatory framework over the past years, we have implemented additional risk measurement models, including ◎ IRC and ◎ stressed VaR. IRC is a regulatory capital charge for default and migration risk on positions in the trading books and intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

**VaR**

VaR measures the potential loss in fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatilities serve as the basis for the statistical VaR model underlying the potential loss estimation. We use a one-day holding period and a confidence level of 98% to model the risk in our trading portfolios for internal risk management purposes and a ten-day holding period and a confidence level of 99% for regulatory capital purposes. These assumptions are compliant with the standards published by the ◎ BCBS and other related international standards for market risk management. For some purposes, such as ◎ backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are calculated based on a one-day holding period level or scaled down from a longer holding period.

We use a historical simulation model for the majority of risk types and businesses within our trading portfolios. The model is based on the profit and loss distribution resulting from historical changes in market rates, prices and volatilities applied to evaluate the portfolio.

We use the same VaR model for risk management and regulatory capital purposes, except for the confidence level and holding period used. We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio, and in 2011 significantly enhanced our VaR methodology, including use of exponential weighting and expected shortfall equivalent measures, for both ◎ risk management VaR and ◎ regulatory VaR. The revised VaR methodology captured extreme events more completely and improved the responsiveness of the model to market volatility. We received approval from ◎ FINMA to use this revised VaR methodology for both risk management and regulatory capital purposes.

In the fourth quarter of 2013, we updated our VaR models to better reflect that borrowing costs may differ from the risk-free rate when calculating forward equity prices and to better capture the volatility skew risk for foreign exchange products. In the second quarter of 2012 we made asset-class methodology changes to better capture complex risks for exotic rate products. This was not a change to our overall VaR model or methodology, but rather an adjustment to the specific risk-capture approach for a certain class of instruments, predominantly comprising options portfolios with embedded interest rate and/or foreign exchange features. The cumulative impact of these updates and adjustments on our principal VaR measures was immaterial and prior periods have not been restated.

We have approval from FINMA, as well as from certain other regulators of our subsidiaries, to use our regulatory VaR model in the calculation of trading book market risk capital requirements. We continue to receive regulatory approval for ongoing enhancements to the methodology, and the model is subject to regular reviews by regulators.

For risk management VaR, we use a one-day holding period and a 98% confidence level. This means there is a 1-in-50 chance of incurring a daily mark-to-market trading loss at least as large as the reported VaR. For regulatory VaR, we present one-day, 99% VaR, which is a ten-day VaR adjusted to a one-day holding period. In order to show the aggregate market risk in our trading books, the chart entitled "Daily risk management VaR" shows the trading-related market risk on a consolidated basis.

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on the behavior of historical market conditions. Other risk measures, such as scenario analysis, are used to estimate losses associated with unusually severe market movements. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities;
- although VaR captures the relationships between risk factors, these relationships may be affected by stressed market conditions;
- VaR provides an estimate of losses at a specified confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence level;
- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model (often because underlying instruments have only traded for a limited time). Where we do not have sufficient market data, either market data proxies or extreme moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy are available, extreme moves are used. Extreme moves are aggregated assuming a conservative 100% correlation. Risks that are not currently implemented within the Group's VaR model such as certain basis risks, higher order risks and cross risks are captured through RNIV calculations.

We use a risk factor identification process to ensure that risk is identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. Through this process, risks that are not yet captured in the VaR model or the RNIV framework are identified. A plan for including these risks in one or the other framework can then be devised. The RNIV identified by the risk factor identification process is also captured in our economic capital framework.

Like other sophisticated models, the Group's VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended.

We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, the VaR Governance Steering Committee meets regularly to review model performance and approve any new or amended models.

**Scenario analysis**

Scenario analysis complements statistical-based risk measures such as VaR and Economic Capital. For example, scenarios are customized with longer horizons than the ones used in statistical-based risk measures to capture market liquidity. Scenarios are also customized to run against agreed limits where the materiality of stressed exposures warrants closer monitoring.

Our scenario analysis also enhances periodic exposure reporting by providing a view of how risk could change under severe market conditions. For example, sensitivities are computed post a large market shock scenario. Scenarios are also used to capture the cross impacts between risk factors under stressed market conditions to complement basis risks captured by other risk measures. Scenarios are further used to assess the impact of more extreme parameters used by other risk measures. For example, market volatility and credit default parameters in risk-weighted asset models are stressed to assess capital requirements under extreme conditions.

### Trading portfolios

#### Risk measurement and management

We assume market risk in our trading portfolios primarily through the trading activities of the Investment Banking division. Our other divisions also engage in trading activities, but to a much lesser extent.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for regulatory capital purposes. This classification of assets as trading is done for the purposes of analyzing our market risk exposure, not for financial statement purposes. Our trading portfolio as determined for risk management purposes primarily includes a majority of the balance sheet items trading assets and trading liabilities, and selected fair-valued positions of investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

Risks associated with the embedded derivative elements of our structured products are actively monitored and managed on a portfolio basis as part of our overall trading portfolio and are reflected in our VaR measures.

### One-day, 98% risk management VaR and one-day, 99% regulatory VaR (CHF)

| | | | | | | | Risk management VaR (98%) | Regulatory VaR (99%) |
|---|---|---|---|---|---|---|---|---|
| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Total | Total |
| **2013 (CHF million)** | | | | | | | | |
| Average | 18 | 35 | 9 | 2 | 16 | (40) | 40 | 39 |
| Minimum | 8 | 30 | 3 | 1 | 11 | – [1] | 33 | 22 |
| Maximum | 45 | 41 | 24 | 4 | 36 | – [1] | 55 | 77 |
| End of period | 10 | 32 | 6 | 3 | 24 | (30) | 45 | 31 |
| **2012 (CHF million)** | | | | | | | | |
| Average | 29 | 47 | 13 | 3 | 22 | (47) | 67 | 57 |
| Minimum | 15 | 36 | 3 | 1 | 14 | – [1] | 34 | 34 |
| Maximum | 43 | 67 | 34 | 7 | 35 | – [1] | 104 | 89 |
| End of period | 27 | 36 | 12 | 2 | 17 | (54) | 40 | 52 |
| **2011 (CHF million)** | | | | | | | | |
| Average | 30 | 66 | 13 | 10 | 23 | (67) | 75 | 94 |
| Minimum | 21 | 46 | 5 | 2 | 14 | – [1] | 54 | 49 |
| Maximum | 43 | 92 | 25 | 26 | 47 | – [1] | 107 | 161 |
| End of period | 32 | 62 | 12 | 4 | 25 | (61) | 74 | 79 |

Excludes risks associated with counterparty and own credit exposures.

[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

## One-day, 98% risk management VaR and one-day, 99% regulatory VaR (USD)

| in / end of | Interest rate | Credit spread | Foreign exchange | Commodity | Equity | Diversification benefit | Risk management VaR (98%) Total | Regulatory VaR (99%) Total |
|---|---|---|---|---|---|---|---|---|
| **2013 (USD million)** | | | | | | | | |
| Average | 19 | 38 | 10 | 2 | 17 | (43) | 43 | 42 |
| Minimum | 9 | 32 | 3 | 1 | 12 | –[1] | 34 | 24 |
| Maximum | 49 | 44 | 25 | 4 | 38 | –[1] | 58 | 83 |
| End of period | 11 | 36 | 7 | 3 | 27 | (33) | 51 | 35 |
| **2012 (USD million)** | | | | | | | | |
| Average | 31 | 51 | 14 | 3 | 23 | (63) | 59 | 61 |
| Minimum | 16 | 39 | 3 | 1 | 15 | –[1] | 36 | 37 |
| Maximum | 47 | 73 | 38 | 8 | 37 | –[1] | 88 | 97 |
| End of period | 29 | 39 | 13 | 2 | 18 | (57) | 44 | 57 |
| **2011 (USD million)** | | | | | | | | |
| Average | 34 | 74 | 14 | 11 | 26 | (74) | 85 | 105 |
| Minimum | 23 | 60 | 6 | 2 | 15 | –[1] | 65 | 55 |
| Maximum | 49 | 99 | 29 | 27 | 51 | –[1] | 117 | 177 |
| End of period | 34 | 66 | 13 | 4 | 27 | (65) | 79 | 84 |

Excludes risks associated with counterparty and own credit exposures.
[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

### Development of trading portfolio risks

The tables entitled "One-day, 98% risk management VaR and one-day, 99% regulatory VaR" show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR and 99% regulatory VaR. VaR has been calculated using a two-year historical dataset. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 98th percentile loss for risk management VaR and the 99th percentile loss for regulatory VaR, respectively, for each individual risk type and for the total portfolio.

We measure VaR in US dollars, as substantially all market risk relates to Investment Banking.

Average risk management VaR in 2013 decreased 27% from 2012 to USD 43 million. The decrease was driven by risk reduction in both fixed income and equities, particularly in securitized and credit products, US and European interest rate products and cash equities, and lower market volatility, partially offset by reduced portfolio diversification benefit.

Period-end risk management VaR as of December 31, 2013 increased 16% to USD 51 million compared to December 31, 2012, reflecting increased equity exposures and reduced portfolio diversification benefit, partially offset by lower interest rate and foreign exchange exposures.

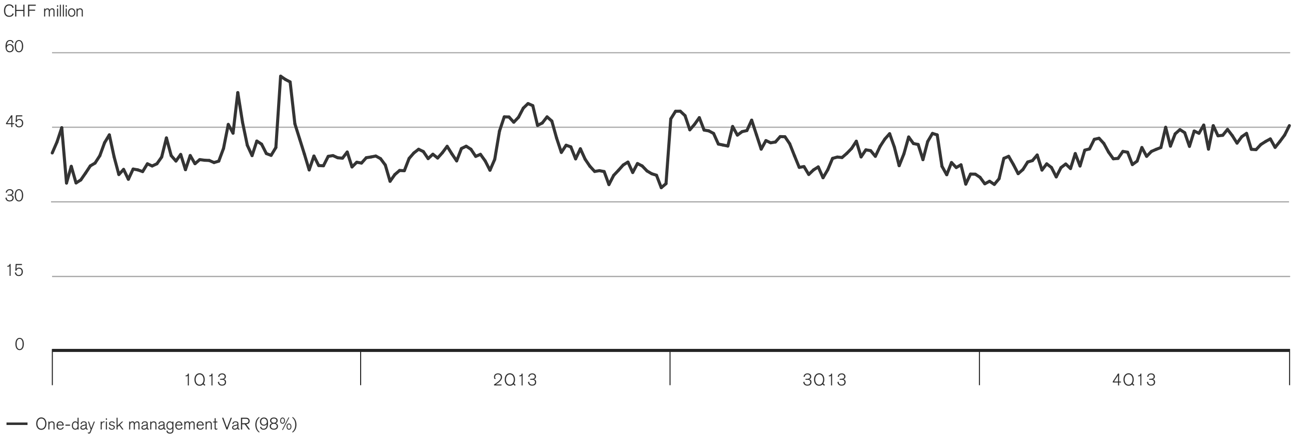
Various techniques are used to assess the accuracy of the regulatory VaR model used for trading portfolios, including backtesting. We conduct such backtesting using actual daily trading revenues. Actual daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. We had no such backtesting exceptions in the 12-month periods ending December 31, 2013, 2012 and 2011. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2013, 2012 and 2011, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

▸ Refer to "Regulatory capital framework" in Capital management for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

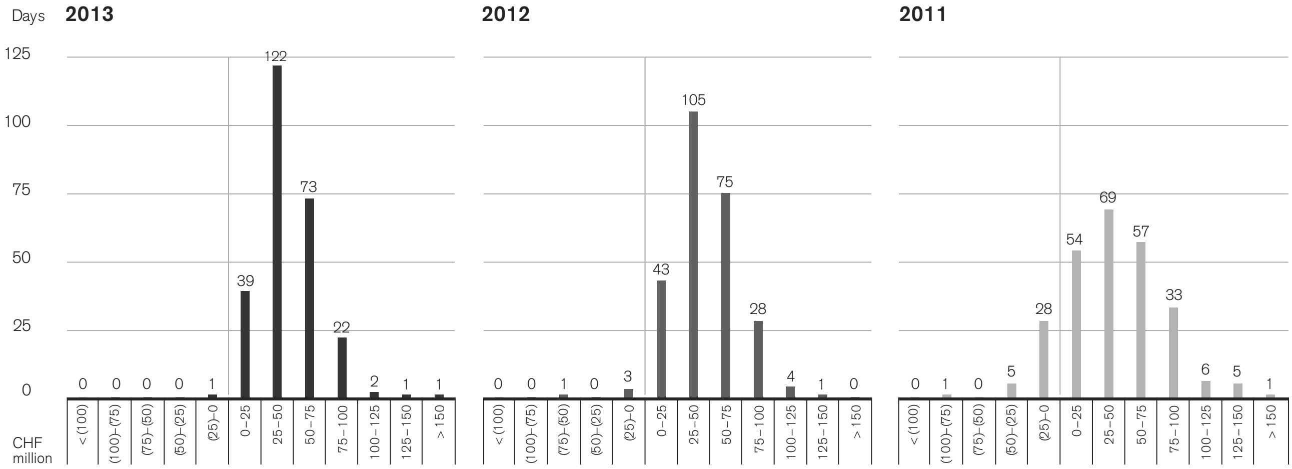
The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2013 with those for 2012 and 2011. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2013, we had one trading loss day with a trading loss not exceeding CHF 25 million, compared to four trading loss days in 2012 with one trading loss exceeding CHF 25 million.

## Daily risk management VaR




Excludes risks associated with counterparty and own credit exposures.

## Actual daily trading revenues




Excludes Neue Aargauer Bank.
Trading revenues do not include valuation adjustments associated with counterparty and own credit exposures.

#### Banking portfolios

##### Risk measurement and management

The market risks associated with our non-trading portfolios primarily relate to asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments. All of our businesses and the Corporate Center have non-trading portfolios that carry some market risks. Our non-trading portfolios as determined for risk management purposes include a majority of the balance sheet items loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, and other assets and liabilities not included in the trading portfolio.

The market risk associated with the non-trading portfolios is measured, monitored and limited using several tools, including economic capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings.

##### Development of non-trading portfolio risks

We assume non-trading interest rate risks through interest rate-sensitive positions originated by Private Banking & Wealth Management and risk-transferred to Treasury, money market and funding activities by Treasury, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisions, primarily Investment Banking. Savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-transferred from Private Banking & Wealth Management to Treasury on a pooled basis using replicating portfolios (approximating the re-pricing behavior of the underlying product). Treasury and certain other areas of the Group running interest rate risk positions actively manage the positions within approved limits. This risk is monitored on a daily basis.

The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of CHF 8.5 million as of December 31, 2013, compared to an increase of CHF 9.4 million as of December 31, 2012. The decrease from 2012 was mainly due to the issuance of new tier 1 and tier 2 capital instruments and related hedges in the third and fourth quarter of 2013. Additional decreases were related to the call of a tier 1 hybrid instrument and the lower average duration of outstanding instruments.

### One basis point parallel increase in yield curves by currency – non-trading positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (1.1) | 7.0 | 2.2 | 0.0 | 0.4 | 8.5 |
| **2012 (CHF million)** | | | | | | |
| Fair value impact of a one basis point parallel increase in yield curves | (1.9) | 9.0 | 1.8 | 0.0 | 0.5 | 9.4 |

Non-trading interest rate risk is also assessed using other measures including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves (as interest rates are currently very low, the downward changes are capped to ensure that the resulting interest rates remain non-negative).

### Interest rate sensitivity – non-trading positions

| end of | CHF | USD | EUR | GBP | Other | **Total** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| Increase(+)/decrease(–) in interest rates | | | | | | |
| +200 basis points | (169) | 1,350 | 428 | (100) | 80 | 1,589 |
| +100 basis points | (100) | 687 | 215 | (24) | 40 | 818 |
| –100 basis points | 225 | (690) | (155) | (22) | (32) | (674) |
| –200 basis points | 289 | (1,150) | (160) | (88) | (63) | (1,172) |
| **2012 (CHF million)** | | | | | | |
| Increase(+)/decrease(–) in interest rates | | | | | | |
| +200 basis points | (308) | 1,718 | 591 | (119) | 78 | 1,960 |
| +100 basis points | (172) | 884 | 238 | (29) | 38 | 959 |
| –100 basis points | 285 | (854) | (78) | (24) | (33) | (704) |
| –200 basis points | 347 | (1,013) | 1 | (111) | (61) | (837) |

As of December 31, 2013, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 1.2 billion compared to a loss of CHF 0.8 billion as of December 31, 2012. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2013 and 2012, the fair value impact of an adverse 200 basis point move in yield curves and adverse interest rate moves, calibrated to a one-year holding period with a 99% confidence level in relation to the total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of non-trading interest rate risk.

Our non-trading equity portfolio includes positions in private equity, hedge funds, strategic investments and other instruments managed by Investment Banking. These positions may not be strongly correlated with general equity markets. Equity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would be a decrease of CHF 474 million in the value of the non-trading portfolio as of December 31, 2013, compared to a decrease of CHF 681 million in the value of the non-trading portfolio as of December 31, 2012.

Commodity risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario would be a decrease of CHF 0.2 million in the value of the non-trading portfolio as of December 31, 2013, compared to a decrease of CHF 0.6 million as of December 31, 2012.

**Credit and debit valuation adjustments**

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2013, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would result in a CHF 0.5 million gain on the overall derivatives position in Investment Banking. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would result in a CHF 5.2 million gain as of December 31, 2013.

## CREDIT RISK

Credit risk is the possibility of a loss being incurred by us as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the consolidated statements of operations.

**Sources of credit risk**

The majority of our credit risk is concentrated in the Wealth Management Clients and Corporate & Institutional Clients businesses within the Private Banking & Wealth Management division and in the Investment Banking division. Credit risk exists within lending products, irrevocable commitments and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

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

Our credit risk management framework covers virtually all of the Group's credit exposure and includes the following core components:
- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

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

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

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

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

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

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

The policies and processes for collateral valuation and management are driven by:
- legal documentation that is agreed with our counterparties; and
- an internally independent collateral management function.

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

**Credit risk overview**

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

## Credit risk

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Credit risk (CHF million)** | | | |
| **Balance sheet** | | | |
| Gross loans | 248,014 | 243,204 | 2 |
| of which reported at fair value | 19,457 | 20,000 | (3) |
| Loans held-for-sale | 18,914 | 19,894 | (5) |
| Traded loans | 6,397 | 4,282 | 49 |
| Derivative instruments [1] | 33,665 | 37,138 | (9) |
| **Total balance sheet** | **306,990** | **304,518** | 1 |
| **Off-balance sheet** | | | |
| Irrevocable loan commitments [2] | 96,990 | 100,219 | (3) |
| Credit guarantees and similar instruments | 4,916 | 12,587 | (61) |
| Irrevocable commitments under documentary credits | 5,512 | 6,258 | (12) |
| **Total off-balance sheet** | **107,418** | **119,064** | (10) |
| **Total credit risk** | **414,408** | **423,582** | (2) |

Before risk mitigation, for example, collateral and credit hedges.

[1] Positive replacement value after netting agreements.

[2] Irrevocable loan commitments do not include unused credit limits which are revocable at our sole discretion upon notice to the client. Prior periods have been adjusted to the current presentation.

As of December 31, 2013 and 2012, loans held-for-sale included CHF 308 million and CHF 554 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 1,240 million and CHF 1,183 million, respectively, of low grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 769 million and CHF 383 million as of December 31, 2013 and 2012, respectively.

**Loans and irrevocable loan commitments**

Loans which we have the intention and ability to hold to maturity are valued at amortized cost less any allowance for loan losses. Irrevocable loan commitments include irrevocable credit facilities for Investment Banking and Private Banking & Wealth Management, but do not include unused credit limits which can be revoked at our sole discretion upon notice to the client. Loans and irrevocable loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues.

## Loans and irrevocable loan commitments

| end of | 2013 | 2012 | % change |
|---|---|---|---|
| **Loans and irrevocable loan commitments (CHF million)** | | | |
| Gross loans | 248,014 | 243,204 | 2 |
| of which Private Banking & Wealth Management | 216,499 | 208,526 | 4 |
| of which Investment Banking | 31,490 | 34,658 | (9) |
| Irrevocable loan commitments | 96,990 | 100,219 | (3) |
| **Total loans and irrevocable loan commitments** | **345,004** | **343,423** | 0 |
| of which Private Banking & Wealth Management | 226,615 | 217,704 | 4 |
| of which Investment Banking | 118,365 | 125,701 | (6) |

The Private Banking & Wealth Management portfolio consists primarily of mortgages and loans collateralized by marketable securities that can be readily liquidated. In Investment Banking, we manage credit exposures primarily with credit hedges and monetizable collateral. Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of CDS and credit insurance contracts.

The following tables illustrate the effects of risk mitigation through cash collateral, marketable securities and credit hedges on a combined exposure of loans and irrevocable loan commitments.

## Loans and irrevocable loan commitments – Private Banking & Wealth Management

| end of | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| Internal ratings | Gross exposure | Cash and securities [1] | Net exposure | Gross exposure | Cash and securities [1] | Net exposure |
| **Risk mitigation (CHF million)** | | | | | | |
| AAA | 2,364 | (54) | 2,310 | 1,183 | (8) | 1,175 |
| AA | 6,307 | (495) | 5,812 | 2,497 | (89) | 2,408 |
| A | 29,176 | (4,143) | 25,033 | 18,922 | (898) | 18,024 |
| BBB | 127,864 | (38,292) | 89,572 | 131,648 | (41,266) | 90,382 |
| BB | 54,375 | (4,273) | 50,102 | 57,193 | (5,327) | 51,866 |
| B | 5,068 | (500) | 4,568 | 4,623 | (473) | 4,150 |
| CCC | 167 | (2) | 165 | 231 | (6) | 225 |
| CC | 14 | 0 | 14 | 48 | (1) | 47 |
| C | 126 | 0 | 126 | 0 | 0 | 0 |
| D | 1,154 | (137) | 1,017 | 1,359 | (121) | 1,238 |
| **Total loans and irrevocable loan commitments** | **226,615** | **(47,896)** | **178,719** [2] | **217,704** | **(48,189)** | **169,515** [3] |

Includes undrawn irrevocable credit facilities. Does not include unused credit limits which are revocable at our sole discretion upon notice to the client. Prior periods have been adjusted to the current presentation.

1 Cash collateral and marketable securities.

2 In addition, we had a synthetic collateralized loan portfolio, the Clock Finance 2013 transaction, which effectively transferred the mezzanine tranche credit risk in excess of 1% up to a maximum of 6% on a portfolio of originated loans of CHF 5.0 billion at closing within Corporate & Institutional Clients to capital market investors.

3 In addition, we had a synthetic collateralized loan portfolio, the Clock Finance transaction, which effectively transferred the first loss credit risk on a portfolio of originated loans of CHF 4.8 billion at closing within Corporate & Institutional Clients to capital market investors.

## Loans and irrevocable loan commitments – Investment Banking

| end of | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| Internal ratings | Gross exposure | Risk mitigation [1] | Net exposure | Gross exposure | Risk mitigation [1] | Net exposure |
| **Risk mitigation (CHF million)** | | | | | | |
| AAA | 2,759 | (4) | 2,755 | 6,529 | (72) | 6,457 |
| AA | 17,385 | (2,288) | 15,097 | 16,774 | (1,672) | 15,102 |
| A | 29,727 | (7,816) | 21,911 | 29,348 | (5,109) | 24,239 |
| BBB | 31,890 | (4,840) | 27,050 | 31,092 | (10,682) | 20,410 |
| BB | 16,843 | (3,772) | 13,071 | 18,044 | (2,316) | 15,728 |
| B | 17,877 | (2,423) | 15,454 | 21,682 | (3,121) | 18,561 |
| CCC | 838 | (312) | 526 | 1,100 | (249) | 851 |
| CC | 433 | (9) | 424 | 18 | (18) | 0 |
| C | 2 | 0 | 2 | 188 | (19) | 169 |
| D | 611 | (79) | 532 | 926 | (390) | 536 |
| **Total loans and irrevocable loan commitments** | **118,365** | **(21,543)** | **96,822** | **125,701** | **(23,648)** | **102,053** |

Includes undrawn irrevocable credit facilities.

1 Credit hedges, cash collateral and marketable securities.

### Loss given default

The Private Banking & Wealth Management LGD measurement takes into account collateral pledged against the exposure and guarantees received, with the exposure adjusted for risk mitigation. The concentration in BBB and BB rated counterparties with low LGD exposure largely reflects the Private Banking & Wealth Management residential mortgage business, which is highly collateralized. In Investment Banking, the LGD measurement is primarily determined by the seniority ranking of the exposure, with the exposure adjusted for risk mitigation and guarantees received. The LGD measurement system is validated by an internally independent function on a regular basis and has been approved by the regulatory authorities for application in the A-IRB approach under the Basel framework.

The tables below present our loans, net of risk mitigation, across LGD buckets for Private Banking & Wealth Management and Investment Banking.

## Loans – Private Banking & Wealth Management

| end of 2013 | | | Loss given default buckets | | | | | |
|---|---|---|---|---|---|---|---|---|
| Internal ratings | Funded gross exposure | Funded net exposure | 0–10% | 11–20% | 21–40% | 41–60% | 61–80% | 81–100% |
| **Loss given default (CHF million)** | | | | | | | | |
| AAA | 2,362 | 2,308 | 266 | 300 | 1,136 | 606 | 0 | 0 |
| AA | 5,729 | 5,298 | 449 | 2,044 | 2,288 | 514 | 2 | 1 |
| A | 28,558 | 24,417 | 3,791 | 13,696 | 4,929 | 1,924 | 73 | 4 |
| BBB | 122,554 | 84,770 | 11,996 | 45,206 | 21,893 | 4,788 | 259 | 628 |
| BB | 51,084 | 46,914 | 8,319 | 15,203 | 18,057 | 4,512 | 477 | 346 |
| B | 4,757 | 4,261 | 1,296 | 742 | 1,732 | 480 | 10 | 1 |
| CCC | 165 | 164 | 35 | 37 | 55 | 11 | 0 | 26 |
| CC | 14 | 14 | 0 | 0 | 0 | 14 | 0 | 0 |
| C | 125 | 125 | 0 | 0 | 0 | 125 | 0 | 0 |
| D | 1,151 | 1,014 | 78 | 231 | 322 | 343 | 12 | 28 |
| **Total loans** | **216,499** | **169,285** | **26,230** | **77,459** | **50,412** | **13,317** | **833** | **1,034** |

As of December 31, 2013, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 96.6 billion had an LTV ratio below 80%. As of December 31, 2012, 96% of the corresponding loan portfolio of CHF 93.2 billion had an LTV ratio below 80%. For the Swiss residential mortgage loans originated in 2013 and 2012, the average LTV ratio was below 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

## Loans – Investment Banking

| end of 2013 | | | Loss given default buckets | | | | | |
|---|---|---|---|---|---|---|---|---|
| Internal ratings | Funded gross exposure | Funded net exposure | 0–10% | 11–20% | 21–40% | 41–60% | 61–80% | 81–100% |
| **Loss given default (CHF million)** | | | | | | | | |
| AAA | 1,031 | 1,031 | 0 | 0 | 0 | 1,031 | 0 | 0 |
| AA | 1,228 | 1,062 | 0 | 0 | 341 | 721 | 0 | 0 |
| A | 4,400 | 3,068 | 2 | 0 | 157 | 2,907 | 2 | 0 |
| BBB | 7,022 | 4,926 | 352 | 8 | 1,314 | 2,713 | 539 | 0 |
| BB | 8,416 | 5,373 | 140 | 81 | 2,499 | 2,634 | 19 | 0 |
| B | 7,883 | 5,902 | 384 | 502 | 2,118 | 2,793 | 105 | 0 |
| CCC | 522 | 233 | 31 | 26 | 96 | 80 | 0 | 0 |
| CC | 379 | 374 | 22 | 0 | 222 | 130 | 0 | 0 |
| D | 609 | 530 | 64 | 0 | 125 | 336 | 5 | 0 |
| **Total loans** | **31,490** | **22,499** | **995** | **617** | **6,872** | **13,345** | **670** | **0** |

**Loans**

Compared to the end of 2012, gross loans increased 2% to CHF 248.0 billion. An increase in Private Banking & Wealth Management of 4% to CHF 216.5 billion was primarily due to an increase in loans collateralized by securities, higher residential mortgages and higher loans to the real estate sector, partially offset by the US dollar translation impact, a decrease in consumer finance and the reclassification of the loans relating to our domestic private banking business booked in Germany. In Investment Banking, a decrease of 9% to CHF 31.5 billion was related to lower loans to financial institutions and consumer finance and the US dollar translation impact, partially offset by higher loans to governments and public institutions, commercial and industrial loans and loans to the real estate sector.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group.

**Impaired loans**

Gross impaired loans decreased 14% to CHF 1.5 billion as of the end of 2013 driven by decreases in potential problem loans and non-interest-earning loans across the Group.

▸ Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

We maintain valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses inherent in the existing credit portfolio. We provide for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either created or adjusted accordingly. The allowance for loan losses is revalued by Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Allowance for inherent loan losses

In accordance with accounting principles generally accepted in the US (US GAAP), an inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Private Banking & Wealth Management lending portfolio are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In Investment Banking, loans are segregated by risk, industry or country rating in order to estimate inherent losses. Inherent losses on loans are estimated based on historical loss and recovery experience and recorded in allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

**Provision for credit losses**

Net provision for credit losses charged to the consolidated statements of operations in 2013 was CHF 167 million, compared to a net provision of CHF 170 million in 2012.

In Private Banking & Wealth Management, the net provision for credit losses in 2013 was CHF 152 million, compared to CHF 182 million in 2012, primarily reflecting lower new provisions in 2013.

In Investment Banking, the net provision for credit losses in 2013 was CHF 13 million, compared to a net release of provision of CHF 12 million in 2012. In 2012, releases of provisions and recoveries were higher than new provisions for the year.

## Loans

| end of | Private Banking & Wealth Management 2013 | 2012 | Investment Banking 2013 | 2012 | Credit Suisse [1] 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Loans (CHF million)** | | | | | | |
| Mortgages | 94,978 | 91,872 | 0 | 0 | 94,978 | 91,872 |
| Loans collateralized by securities | 31,565 | 27,363 | 0 | 0 | 31,565 | 27,363 |
| Consumer finance | 5,672 | 6,290 | 266 | 611 | 5,938 | 6,901 |
| Consumer | 132,215 | 125,525 | 266 | 611 | 132,481 | 126,136 |
| Real estate | 26,557 | 25,253 | 755 | 548 [2] | 27,312 | 25,801 [2] |
| Commercial and industrial loans | 48,953 | 48,860 | 14,356 | 14,148 [2] | 63,334 | 63,028 [2] |
| Financial institutions | 7,538 | 7,616 | 14,302 | 18,286 [2] | 21,840 | 25,902 [2] |
| Governments and public institutions | 1,236 | 1,272 | 1,811 | 1,065 [2] | 3,047 | 2,337 [2] |
| Corporate & institutional | 84,284 [3] | 83,001 [3] | 31,224 | 34,047 | 115,533 | 117,068 |
| **Gross loans** | **216,499** | **208,526** | **31,490** | **34,658** | **248,014** | **243,204** |
| of which reported at fair value | 226 | 257 | 19,231 | 19,743 | 19,457 | 20,000 |
| Net (unearned income) / deferred expenses | (71) | (39) | (20) | (20) | (91) | (59) |
| Allowance for loan losses [4] | (715) | (785) | (151) | (137) | (869) | (922) |
| **Net loans** | **215,713** | **207,702** | **31,319** | **34,501** | **247,054** | **242,223** |
| **Impaired loans (CHF million)** | | | | | | |
| Non-performing loans | 608 | 604 | 251 | 255 | 862 | 859 |
| Non-interest-earning loans | 280 | 309 | 1 | 4 | 281 | 313 |
| Total non-performing and non-interest-earning loans | 888 | 913 | 252 | 259 | 1,143 | 1,172 |
| Restructured loans | 6 | 0 | 0 | 30 | 6 | 30 |
| Potential problem loans | 340 | 513 | 0 | 14 | 340 | 527 |
| Total other impaired loans | 346 | 513 | 0 | 44 | 346 | 557 |
| **Gross impaired loans [4]** | **1,234** | **1,426** | **252** | **303** | **1,489** | **1,729** |
| of which loans with a specific allowance | 1,165 | 1,307 | 244 | 204 | 1,412 | 1,511 |
| of which loans without a specific allowance | 69 | 119 | 8 | 99 | 77 | 218 |
| **Allowance for loan losses (CHF million)** | | | | | | |
| **Balance at beginning of period [4]** | **785** | **743** | **137** | **167** | **922** | **910** |
| Changes in scope of consolidation | (1) | 0 | 0 | (18) | (1) | (18) |
| Net movements recognized in statements of operations | 152 | 171 | 11 | (12) | 166 | 159 |
| Gross write-offs | (278) | (180) | (8) | (21) | (286) | (201) |
| Recoveries | 47 | 34 | 7 | 10 | 54 | 44 |
| Net write-offs | (231) | (146) | (1) | (11) | (232) | (157) |
| Provisions for interest | 13 | 13 | 13 | 16 | 26 | 29 |
| Foreign currency translation impact and other adjustments, net | (3) | 4 | (9) | (5) | (12) | (1) |
| **Balance at end of period [4]** | **715** | **785** | **151** | **137** | **869** | **922** |
| of which individually evaluated for impairment | 537 | 598 | 114 | 98 | 654 | 696 |
| of which collectively evaluated for impairment | 178 | 187 | 37 | 39 | 215 | 226 |
| **Loan metrics (%)** | | | | | | |
| Total non-performing and non-interest-earning loans / Gross loans [5] | 0.4 | 0.4 | 2.1 | 1.7 | 0.5 | 0.5 |
| Gross impaired loans / Gross loans [5] | 0.6 | 0.7 | 2.1 | 2.0 | 0.7 | 0.8 |
| Allowance for loan losses / Total non-performing and non-interest-earning loans [4] | 80.5 | 86.0 | 59.9 | 52.9 | 76.0 | 78.7 |
| Allowance for loan losses / Gross impaired loans [4] | 57.9 | 55.0 | 59.9 | 45.2 | 58.4 | 53.3 |

1 Includes Corporate Center, in addition to Private Banking & Wealth Management and Investment Banking.
2 Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.
3 Includes loans secured by financial collateral and mortgages. The value of financial collateral and mortgages, considered up to the amount of the related loans, was CHF 67,522 million and CHF 64,536 million as of December 31, 2013 and 2012, respectively.
4 Impaired loans and allowance for loan losses are only based on loans which are not carried at fair value.
5 Excludes loans carried at fair value.

### Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate, cross-currency swaps and CDS, interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of customers and for our own account. PRV constitute an asset, while negative replacement values constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

#### Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

#### Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

#### Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us.

## Derivative instruments by maturity

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| end of / due within | Less than 1 year | 1 to 5 years | More than 5 years | Positive replacement value | Less than 1 year | 1 to 5 years | More than 5 years | Positive replacement value |
| **Derivative instruments (CHF billion)** | | | | | | | | |
| Interest rate products | 28.2 | 162.2 | 258.8 | 449.2 | 41.4 | 226.5 | 436.6 | 704.5 |
| Foreign exchange products | 32.2 | 18.9 | 10.4 | 61.5 | 32.1 | 17.8 | 13.8 | 63.7 |
| Equity/index-related products | 8.1 | 8.0 | 2.2 | 18.3 | 5.8 | 7.4 | 3.4 | 16.6 |
| Credit derivatives | 1.6 | 21.1 | 4.1 | 26.8 | 2.5 | 20.0 | 8.1 | 30.6 |
| Other products [1] | 1.9 | 1.8 | 1.0 | 4.7 | 2.5 | 2.4 | 1.4 | 6.3 |
| **OTC derivative instruments** | **72.0** | **212.0** | **276.5** | **560.5** | **84.3** | **274.1** | **463.3** | **821.7** |
| Exchange-traded derivative instruments | | | | 18.1 | | | | 15.6 |
| Netting agreements [2] | | | | (544.9) | | | | (800.2) |
| **Total derivative instruments** | | | | **33.7** | | | | **37.1** |
| of which recorded in trading assets | | | | 31.6 | | | | 33.2 |
| of which recorded in other assets | | | | 2.1 | | | | 3.9 |

1 Primarily precious metals, commodity, energy and emission products.
2 Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and 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 |
| **OTC derivative instruments** | **30.7** | **35.8** |
| Exchange-traded derivative instruments [1] | 3.0 | 1.3 |
| **Total derivative instruments** [1] | **33.7** | **37.1** |

1 Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

▸ Refer to “Note 26 – Offsetting of financial assets and financial liabilities” in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

▸ Refer to “Note 31 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

### Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

#### Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ▸ OTC derivative and ▸ reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from G-7 and non-G-7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure we have against this country in case of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

**Presentation of selected European credit risk exposures**

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. Prior to our 4Q13 Financial Report, gross and net credit risk exposures were presented net of the allowance for loan losses. The net impact of this change in presentation was an increase of EUR 0.1 billion in both gross and net sovereign credit risk exposures to Greece as of December 31, 2013. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the positive replacement value (PRV) of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at issuer level.
- *Risk mitigation* includes credit default swaps (CDS) and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for Private Banking & Wealth Management exposure to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

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

## Selected European credit risk exposures

| December 31, 2013 | Gross credit risk exposure | Risk mitigation: CDS | Risk mitigation: Other [1] | Net credit risk exposure | Inventory [2] | Net synthetic inventory [3] | Total credit risk exposure: Gross | Total credit risk exposure: Net |
|---|---|---|---|---|---|---|---|---|
| **Croatia (EUR billion)** | | | | | | | | |
| Sovereigns | 0.6 | 0.0 | 0.5 | 0.1 | 0.0 | (0.2) | 0.6 | 0.1 |
| **Total** | **0.6** | **0.0** | **0.5** | **0.1** | **0.0** | **(0.2)** | **0.6** | **0.1** |
| **Cyprus (EUR billion)** | | | | | | | | |
| Corporates & other | 0.6 | 0.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 |
| **Total** | **0.6** | **0.0** | **0.6** | **0.0** | **0.0** | **0.0** | **0.6** | **0.0** |
| **Greece (EUR billion)** | | | | | | | | |
| Sovereigns | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Corporates & other | 0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 |
| **Total** | **0.7** | **0.0** | **0.5** | **0.2** | **0.0** | **0.0** | **0.7** | **0.2** |
| **Ireland (EUR billion)** | | | | | | | | |
| Financial institutions | 1.1 | 0.0 | 0.4 | 0.7 | 0.1 | (0.1) | 1.2 | 0.8 |
| Corporates & other | 0.7 | 0.0 | 0.6 | 0.1 | 0.0 | 0.0 | 0.7 | 0.1 |
| **Total** | **1.8** | **0.0** | **1.0** | **0.8** | **0.1** | **(0.1)** | **1.9** | **0.9** |
| **Italy (EUR billion)** | | | | | | | | |
| Sovereigns | 3.2 | 2.6 | 0.3 | 0.3 | 0.1 | (0.5) | 3.3 | 0.4 |
| Financial institutions | 1.5 | 0.0 | 1.0 | 0.5 | 0.2 | 0.0 | 1.7 | 0.7 |
| Corporates & other | 2.5 | 0.2 | 1.6 | 0.7 | 0.1 | (0.2) | 2.6 | 0.8 |
| **Total** | **7.2** | **2.8** | **2.9** | **1.5** | **0.4** | **(0.7)** | **7.6** | **1.9** |
| **Portugal (EUR billion)** | | | | | | | | |
| Sovereigns | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Financial institutions | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | 0.1 | 0.0 |
| Corporates & other | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 |
| **Total** | **0.3** | **0.0** | **0.3** | **0.0** | **0.1** | **(0.2)** | **0.4** | **0.1** |
| **Spain (EUR billion)** | | | | | | | | |
| Sovereigns | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial institutions | 0.6 | 0.0 | 0.3 | 0.3 | 0.5 | 0.2 | 1.1 | 0.8 |
| Corporates & other | 1.9 | 0.1 | 1.0 | 0.8 | 0.1 | 0.0 | 2.0 | 0.9 |
| **Total** | **2.5** | **0.1** | **1.3** | **1.1** | **0.7** | **0.3** | **3.2** | **1.8** |
| **Total (EUR billion)** | | | | | | | | |
| Sovereigns | 4.1 | 2.6 | 0.9 | 0.6 | 0.2 | (0.7) | 4.3 | 0.8 |
| Financial institutions | 3.4 | 0.0 | 1.9 | 1.5 | 0.8 | 0.0 | 4.2 | 2.3 |
| Corporates & other | 6.2 | 0.3 | 4.3 | 1.6 | 0.3 | (0.2) | 6.5 | 1.9 |
| **Total** | **13.7** | **2.9** | **7.1** | **3.7** | **1.3** | **(0.9)** | **15.0** | **5.0** |

1 Includes other hedges (derivative instruments), guarantees, insurance and collateral.
2 Represents long inventory positions netted at issuer level.
3 Substantially all of which results from CDS; represents long positions net of short positions.

### Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Greece, Ireland, Italy, Portugal and Spain as of December 31, 2013 was EUR 3.7 billion, down from EUR 4.3 billion as of December 31, 2012. Our net exposure to these sovereigns was EUR 0.7 billion, up from EUR 0.6 billion as of December 31, 2012, reflecting the change in presentation in the fourth quarter of 2013 to disclose gross and net credit risk exposures before deduction of any related allowance for loan losses. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2013 included net exposure to financial institutions of EUR 2.3 billion and to corporates and other counterparties of EUR 1.9 billion, compared to EUR 2.0 billion and EUR 3.4 billion, respectively, as of December 31, 2012. In 2013, Cyprus and Croatia were added to our disclosure of selected European credit risk exposures. On a gross basis, our risk-based credit risk exposure to Cyprus and Croatia as of December 31, 2013 was EUR 1.2 billion, of which EUR 0.6 billion related to sovereign credit risk. On a net basis, our credit risk exposure to these two countries was EUR 0.1 billion as of December 31, 2013, all related to sovereign credit risk. A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

#### Sovereign debt rating developments

During 2013 and the first two months of 2014, the sovereign debt rating of the countries listed in the table were affected as follows: Standard & Poor's increased the long-term rating for Cyprus to B– from CCC+ in the third quarter and CCC in the first quarter of 2013, and lowered Italy's rating to BBB from BBB+ in the third quarter of 2013 and Croatia's rating to BB from BB+ in January 2014. Fitch lowered Cyprus' rating to B– from B in the first quarter of 2013 and from BB– as of the end of 2012, lowered Italy's rating to BBB+ from A– in the first quarter of 2013, and increased Greece's rating to B– from CCC in the second quarter of 2013. Moody's downgraded Cyprus to Caa3 from B3 in the first quarter of 2013, and increased Greece's rating to Caa3 from C in the fourth quarter of 2013, Ireland's rating to Baa3 from Ba1 in January 2014 and Spain's rating to Baa2 from Baa3 in February 2014. The rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

## OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Our primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Where appropriate, we transfer operational risks to third-party insurance companies.

Operational risk is inherent in most aspects of our activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide framework, with ownership of these risks residing with the management responsible for the relevant business process.

### Operational risk management

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

In 2013, we consolidated the operational risk teams in the independent risk management function into a single department Operational Risk Management, reporting to the CRO. Operational Risk Management is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions. We utilize a number of Group-wide tools for the management and reporting of operational risk. These include:

- risk appetite tolerance levels, which set out senior management's expectations with respect to losses or metrics; breaches of tolerance levels are reported to senior management and may trigger actions;
- reporting on top operational risks, which is used to highlight the most significant risks to senior management, along with associated risk remediation efforts;
- the operational risk register, which contains a catalog of inherent operational risks arising as a consequence of the Group's activities;
- risk and control indicators, which are metrics that are used to monitor specified operational risks and controls over time; they may be associated with tolerance levels that define acceptable performance and provide early warning signals about potential impending issues;
- risk and control self-assessments (RCSA), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilize other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks in each business;
- internal operational risk incident data, which provide information on the Group's operational risk profile; incident investigations are carried out for significant internal operational risk events, including those that did not result in economic losses; incident investigations are used to assess control failings, identify required improvements and ascertain whether events have implications for other businesses;
- external operational risk incident data for peer firms, which are collected to identify risks that may be relevant in the future, even if they have not impacted the Group to date; and
- operational risk scenarios, which are used to identify and measure exposure to a range of adverse events, such as unauthorized trading; these scenarios help businesses assess the

suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. In 2013, key enhancements included the introduction of a standardized operational risk register to ensure that risks are categorized and reported consistently, revisions to the RCSA process to improve assessment quality and increase output transparency, and the introduction of more granular operational risk tolerance levels for certain businesses.

**Operational risk measurement**

We have used an internal model to calculate the regulatory capital requirement for operational risk under the AMA since 2008. In 2012, following discussions with FINMA, we initiated a project to enhance our internal model to reflect recent developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model has been approved by FINMA for calculating the regulatory capital requirement for operational risk with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational risk profile of the Group that is also more conservative compared with the previous approach.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. The AMA capital calculation approved by FINMA includes all litigation-related provisions and also an add-on component relating to the aggregate range of reasonably possible litigation losses that are disclosed in our financial statements but are not covered by existing provisions. In the fourth quarter of 2013, this new approach to litigation-related provisions and reasonably possible litigation losses has been applied to the previous AMA model used to calculate regulatory capital requirements as of December 31, 2013. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9$^{th}$ percentile of this overall loss distribution.

## REPUTATIONAL RISK

Our policy is to avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to our reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk, the relevant business proposal or service must be submitted through the globally standardized reputational risk review process. This involves a submission by an originator (any employee), endorsement by a business area head or designee, and its subsequent referral to one of the regional reputational risk approvers, each of whom is an experienced and high-ranked senior manager, independent of the business segments, who has authority to approve, reject, or impose conditions on our participation in the transaction or service. In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society. The governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues are the Reputational Risk & Sustainability Committee of the Executive Board on a global level and the regional reputational risk councils on a regional level.

## CONDUCT RISK

We define conduct risk as the risk of poor conduct by the Group and/or individuals resulting in clients not receiving a fair transaction, a lack of integrity in activities on financial markets and in the wider financial system and a lack of effective competition in the interests of clients. Conduct risk may arise from a variety of sources, including the potential unsuitability of products sold to clients due to their complexity, breaches of regulatory rules or laws by individual employees or the Group's market conduct. Conduct risk is primarily addressed through specific supervisory controls implemented across the Group and targeted training activities.

## BOARD OF DIRECTORS

### Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 13 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. The members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman of the Board (Chairman) and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Our OGR specify that the members of the Board shall generally retire after having served on the Board for 15 years.

The Board has four committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members, the committee members are appointed by the Board for a term of one year. An overview of the Board and committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

## Members of the Board and Board committees

| | Board member since | Current term end | Independence | Chairman's and Governance Committee | Audit Committee | Compensation Committee | Risk Committee |
|---|---|---|---|---|---|---|---|
| **December 31, 2013** | | | | | | | |
| Urs Rohner, Chairman | 2009 | 2014 | Independent | Chairman | – | – | – |
| Peter Brabeck-Letmathe, Vice-Chairman | 1997 | 2014 | Independent | Member | – | – | – |
| Jassim Bin Hamad J.J. Al Thani | 2010 | 2014 | Not independent | – | – | – | – |
| Iris Bohnet | 2012 | 2014 | Independent | – | – | Member | – |
| Noreen Doyle | 2004 | 2014 | Independent | – | – | – | Member |
| Jean-Daniel Gerber | 2012 | 2014 | Independent | – | Member | – | – |
| Walter B. Kielholz | 1999 | 2014 | Independent | Member | – | Member | – |
| Andreas N. Koopmann | 2009 | 2014 | Independent | – | – | Member | Member |
| Jean Lanier | 2005 | 2014 | Independent | Member | Member | Chairman | – |
| Kai S. Nargolwala | 2013 | 2014 | Independent [1] | – | – | – | Member |
| Anton van Rossum | 2005 | 2014 | Independent | – | – | – | Member |
| Richard E. Thornburgh | 2006 | 2014 | Independent | Member | Member | – | Chairman |
| John Tiner | 2009 | 2014 | Independent | Member | Chairman | – | Member |

[1] Kai S. Nargolwala was not independent at the time of his election to the Board due to his former role in the Executive Board, but was considered independent as of the end of October 2013, after a three-year cooling off period.

### Retirements and nominations

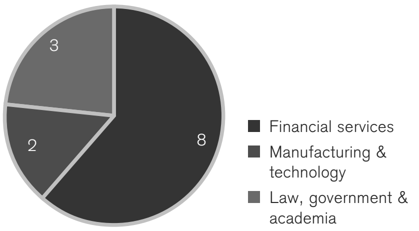
Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz retired from the Board at the AGM in 2013. Jean Lanier succeeded Aziz R.D. Syriani as chairman of the Compensation Committee. At the AGM in 2013, Kai S. Nargolwala was elected as a new member of the Board. At the AGM on May 9, 2014, Peter Brabeck-Letmathe and Walter B. Kielholz will be retiring from the Board. The Board proposes that all other current members of the Board be re-elected to the Board at the AGM in 2014, proposes the election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Jean Lanier and Kai S. Nargolwala as members of the Compensation Committee. The Board also proposes the new election of Severin Schwan, CEO of Roche Group, and Sebastian Thrun, Co-Founder and CEO of Udacity, to the Board.

### Board composition

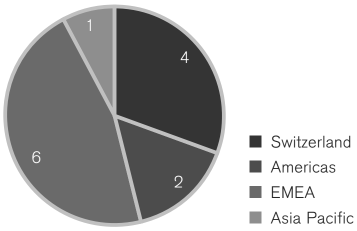
The Chairman's and Governance Committee regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the Corporate Governance Guidelines and the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Chairman's and Governance Committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group. The background, skills and experience of our Board members are diverse and broad and include holding top management positions at financial services and industrial companies in Switzerland and abroad or having held leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure.

## Board composition

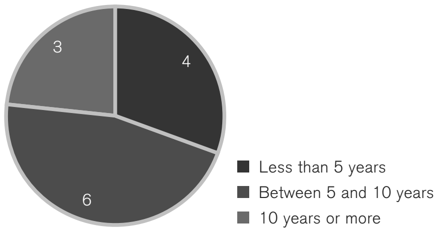
**Industry experience**




**Geographical origin**




**Length of tenure**




To maintain a high degree of diversity and independence in the future, we have a succession planning process in place to identify potential candidates for the Board at an early stage. With this, we are well prepared when Board members rotate off the Board. Besides more formal criteria consistent with legal and regulatory requirements, we believe that other aspects including team dynamics and personal reputation of Board members play a critical role in ensuring the effective functioning of the Board. This is why we place the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

**New members**

Any newly appointed member participates in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters. The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask a specialist within the Group to speak about a specific topic to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

**Meetings**

In 2013, the Board held six full-day meetings in person and three additional meetings. In addition, the Board held a one and a half day strategy session. From time to time, the Board may also take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

All members of the Board are expected to spend the necessary time outside these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

**Meeting attendance**

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

## Meeting attendance

| | Board of Directors [1] | Chairman's and Governance Committee | Audit Committee | Compensation Committee | Risk Committee |
|---|---|---|---|---|---|
| **in 2013** | | | | | |
| Total number of meetings held | 10 | 10 | 11 | 12 | 6 |
| Number of members who missed no meetings | 10 | 5 | 5 | 3 | 3 |
| Number of members who missed one meeting | 2 | 1 | 0 | 2 | 2 |
| Number of members who missed two or more meetings | 4 | 1 | 0 | 1 | 1 |
| Meeting attendance, in % | 90 | 88 | 100 | 94 | 88 |

[1] The Board consisted of 15 members at the beginning of the year and 13 members at the end of the year, with 1 member joining the Board and 3 members leaving the Board as of the 2013 AGM.

**Independence**
The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the Corporate Governance Guidelines, the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. Our definition of independence is in line with the Swiss Code of Best Practice for Corporate Governance and the NYSE and Nasdaq definitions. In general, a director is considered independent if the director:
- is not, and has not been for the prior three years, employed as an executive officer of the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:
- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:
- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent. In addition to measuring Board members against the independence criteria, the Chairman's and Governance Committee also considers whether other commitments of an individual Board member prevent the person from devoting enough time to his or her Board mandate.

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status further back than three years.

**Independence determination**
As of December 31, 2013, 12 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship. Mr. Kai S. Nargolwala was determined to be not independent at the time of his election at the AGM in 2013 due to his former role on the Executive Board. He is considered independent as of end of October 2013 after the lapse of the compulsory three-year cooling-off period. As described above, our independence guidelines require that a Board member not have been employed as an executive officer of the Group or any of its subsidiaries for the prior three years.

**Chairman of the Board**
The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by our main regulator, FINMA. The Chairman coordinates the work within the Board, works with the committee chairmen to coordinate the tasks of the committees and ensures that the Board members are provided with the information relevant for performing their duties. In particular, the Chairman drives the Board agenda and key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation

structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the Shareholder Meetings and takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders. The Chairman has no executive function within the Group. With the exception of the Chairman's and Governance Committee, the Chairman is not a member of any of the Board's standing committees. However, he may attend all or parts of selected committee meetings as a guest without voting power.

**Segregation of duties**

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

**Lead Independent Director**

The Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director may convene meetings without the Chairman being present.

**Board responsibilities**

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses our competitive position and approves our strategic and financial plans. At each ordinary meeting, the Board receives a status report on our financial results, capital, funding and liquidity situation. In addition, the Board receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues and significant events, as deemed appropriate or requested. In order to appropriately discharge their responsibilities, the members of the Board have access to all information concerning the Group.

The Board also reviews and approves significant changes in our structure and organization and is actively involved in significant projects including acquisitions, divestitures, investments and other major projects. The Board and its committees are entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as they deem appropriate, with respect to any matters within their authority.

**Governance of Group subsidiaries**

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the boards of the most important subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process shall be reviewed by the Board on an annual basis.

**Board evaluation**

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives, and a work plan for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process.

## BOARD COMMITTEES

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

**Chairman's and Governance Committee**

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairman and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee consists of six members, all of whom are independent.

The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance Committee acts as an advisor to the Chairman and supports him in the preparation of the Board meetings. In addition, the Chairman's and Governance Committee is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval. At least once annually, the Chairman's and Governance Committee evaluates the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations.

In addition, the Chairman's and Governance Committee guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board. The Chairman's and Governance Committee also reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

The Chairman's and Governance Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

**Audit Committee**

The Audit Committee consists of not fewer than three members, all of whom must be independent. The chairman of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee consists of four members, all of whom are independent.

The Audit Committee has its own charter, which has been approved by the Board. The members of the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees. The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

In addition, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee without management being present. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy that is designed to help ensure that the independence of the external auditor is maintained at all times. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis. The Audit Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

**Compensation Committee**

The Compensation Committee consists of not fewer than three members, all of whom must be independent. Our Compensation Committee consists of four members, all of whom are independent.

The Compensation Committee has its own charter, which has been approved by the Board. Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The Compensation Committee's duties and responsibilities include reviewing the Group's compensation policy, newly established compensation plans or amendments to existing plans and recommending them to the

Board for approval, as well as reviewing the performance of the businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools and the compensation payable to the members of the Board, the CEO and the Executive Board (upon the CEO's proposal). The meetings are attended by management representatives, as appropriate.

According to its charter, the Compensation Committee is authorized to retain outside consultants, at the Group's expense, to advise the Compensation Committee. The Compensation Committee is assisted in its work by external legal counsel Nobel & Hug and the global compensation consulting firm, Johnson Associates, Inc. Johnson Associates Inc. does not provide other services to the Group other than assisting the Compensation Committee. The Compensation Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

▸ Refer to "Governance" in Compensation – Executive Board compensation for information on our compensation approach, principles and objectives.

**Risk Committee**

The Risk Committee consists of not fewer than three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee consists of six members, all of whom are independent.

The Risk Committee has its own charter, which has been approved by the Board, and holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee's main duties are to assist the Board in reviewing and assessing the integrity and adequacy of the Group's risk management function, in particular as it relates to market, credit, liquidity and funding risks, reviewing the adequacy of the Group's capital and its allocation to the Group's businesses reviewing certain risk limits and making recommendations to the Board, and reviewing and assessing the Group's risk appetite framework. The Risk Committee also reviews and assesses the adequacy of the management of reputational and operational risks, including the adequacy of the internal control system, jointly with the Audit Committee. The Risk Committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in the charter and the committee's objectives and determines any special focus objectives for the coming year.

## BANKING RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

**Banking relationships**

The Group is a global financial services provider. Many of the members of the Board and the Executive Board or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2013, 2012 and 2011, there was no loan exposure to such related parties that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Executive Board shareholdings and loans" and "Board shareholdings and loans" in Compensation for a list of the outstanding loans to members of the Executive Board and the Board.

**Related party transactions**

**Exchange of tier 1 capital instruments**

In February 2011, we entered into definitive agreements with entities affiliated with QIA and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products, to issue tier 1 high-trigger capital instruments (new Tier 1 Capital Notes). Under the agreements, QIA and The Olayan Group agreed to purchase USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes in exchange for their holdings of USD 3.45 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes issued in 2008 (together, the Tier 1 Capital Notes) or, in the event that the Tier 1 Capital Notes had been redeemed in full, for cash.

In July 2012, we entered into an amendment agreement with the entity affiliated with The Olayan Group to accelerate the exchange of USD 1.725 billion of the 11% tier 1 capital notes for an equivalent principal amount of new Tier 1 Capital Notes. In October 2013, based on the prior agreement with an entity affiliated with QIA, we exchanged such entity's holding of USD 1.72 billion 11% tier 1 capital notes and CHF 2.5 billion 10% tier 1 capital notes into equivalent principal amounts of new Tier 1 Capital Notes. These transactions were approved by FINMA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. In connection with the July 2012 exchange, the conversion floor price of the new Tier 1 Capital Notes delivered in the exchange as well as the remaining new Tier 1 Capital Notes that were exchanged in October 2013 was adjusted to match the conversion price of the mandatory and contingent convertible securities (MACCS) described below. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest is payable on the USD 3.45 billion new Tier 1 Capital Notes and CHF 2.5 billion new Tier 1 Capital Notes at fixed rates of 9.5% and 9.0%, respectively, and will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani, respectively, for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the Tier 1 Capital Notes issued in 2008 and held by QIA and The Olayan Group, were fair. As of April 26, 2013, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

#### Settlement of mandatory and contingent convertible securities

In July 2012, we issued CHF 3.8 billion MACCS that mandatorily converted into 233.5 million shares at a conversion price of CHF 16.29 per share on March 29, 2013. The settlement and delivery of shares occurred on April 8, 2013. Strategic and institutional investors purchased CHF 2.0 billion of MACCS and shareholders exercised preferential subscription rights for CHF 1.8 billion of MACCS. The conversion price corresponded to 95% of the volume weighted average market price for the two trading days preceding the transaction. Investors in the MACCS included entities affiliated with QIA and The Olayan Group, which also have been deemed by the Group to be related parties of our current Board member Mr. Bin Hamad J.J. Al Thani and our then Board member Mr. Syriani. In addition to QIA and The Olayan Group, a number of other investors of the Group purchased the MACCS, including Norges Bank and the Capital Group Companies, Inc., which like QIA and The Olayan Group, have significant holdings of Group shares. The terms and conditions for the conversion of the MACCS were equally applicable to all purchasers.

▸ Refer to "Capital issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management for further information about the new Tier 1 Capital Notes and the MACCS.

#### Plus Bonds

In 2013, we awarded Plus Bonds to certain employees as deferred variable compensation in respect of their 2012 compensation. We provided members of the Executive Board who did not participate in the structuring of the Plus Bonds the opportunity to invest their own funds in instruments with substantially the same terms as the Plus Bond awards granted to employees. As a result, certain Executive Board members acquired an aggregate of CHF 9 million in Plus Bond instruments in February 2013.

▸ Refer to "Plus Bond awards" in Compensation – Discontinued compensation plans for further information.

#### Loan to Arcapita Bank

In February 2012, the Group downgraded to impaired status a loan with an outstanding principal amount of USD 30 million to Arcapita Bank B.S.C. (Arcapita Bank), an international investment firm headquartered in Bahrain. The financing provided to Arcapita Bank was extended in 2007 on arm's length terms and at the time, did not involve more than the normal risk of collectability or present other unfavorable features. Arcapita Bank may have been deemed to be a related party entity of the Group because our Board member Mr. Bin Hamad J.J. Al Thani was also a member of the board of directors of Arcapita Bank. Mr. Bin Hamad J.J. Al Thani joined the Arcapita Bank board of directors in October 2008 and our Board in 2010, in both cases after the loan was extended. Arcapita Bank filed for Chapter 11 bankruptcy in the US in March 2012, and the Group subsequently sold its USD 30 million credit position to an unrelated third party. During 2013, Mr. Bin Hamad J.J. Al Thani stepped down from the Arcapita Bank board of directors.

▸ Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

## Biographies of the Board members

**Urs Rohner**
Born 1959
Swiss Citizen

**Peter Brabeck-Letmathe**
Born 1944
Austrian Citizen

Urs Rohner has been Chairman of the Board and the Chairman's and Governance Committee since the 2011 AGM. He was Vice-Chairman of the Board and a member of the Chairman's and Governance and Risk Committees (2009 to 2011). He was a member of the Executive Boards of the Group (2004 to 2009) and Credit Suisse (2005 to 2009) and served as General Counsel of the Group (2004 to 2009), as COO (2006 to 2009) and General Counsel of the Bank (2005 to 2009). His term as a Board member expires at the AGM in 2014. As of that date, Mr. Rohner will be proposed for re-election by our shareholders as a member of the Board and Chairman for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Rohner served as chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG (2000 to 2004) and CEO of ProSieben Media AG (2000). He was a partner at Lenz & Staehelin (1992 to 1999) and an attorney with the law firms Sullivan & Cromwell LLP in New York (1988 to 1989) and Lenz & Staehelin in Zurich (1990 to 1992, 1983 to 1988). Mr. Rohner graduated with a degree in Law from the University of Zurich, Switzerland, in 1983. He was admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

Mr. Rohner is the chairman and a member of the board of trustees of the Credit Suisse Research Institute and the Credit Suisse Foundation. He serves as a board member or advisory board member for a number of international organizations, including the Institute of International Finance and the Institut International d'Etudes Bancaires, the European Financial Services Round Table, the European Banking Group and the international advisory board of the Moscow International Financial Center and serves on the International Business Leaders Advisory Council of the Mayor of Beijing. Since 2013, Mr. Rohner is a member of the Expert Committee of the Swiss Federal Council regarding the further development of the financial market strategy. He is also a member of the board of trustees of Avenir Suisse and the Alfred Escher Foundation, a board member of Economiesuisse and the International Institute for Management Development Foundation, and the chairman of the advisory board of the University of Zurich's Department of Economics, and he serves as a member of the board of trustees of the Lucerne Festival.

Peter Brabeck-Letmathe has been Vice-Chairman of the Board since 2008, a function he also held from 2000 to 2005. He has been a member of the Board since 1997 and a member of the Chairman's and Governance Committee since 2008. He served on the Compensation Committee (2008 to 2011 and 2000 to 2005) and on the Chairman's and Governance Committee (2003 to 2005). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Brabeck-Letmathe will be retiring from the Board. The Board has determined him to be independent under the Group's independence standards.

Mr. Brabeck-Letmathe has been the chairman of the board of directors of Nestlé SA since 2005 and vice-chairman of the board of directors (2001 to 2005). He was also CEO of Nestlé SA (1997 to 2008) and since 1987 has been based at Nestlé SA's headquarters in Vevey. He joined Nestlé SA's sales operations in Austria after graduating in 1968. His career at Nestlé SA has included a variety of assignments in several European countries and in Latin America. In addition, he served as member of the board of directors of Roche Holding SA (2000 to 2010) and Gesparal SA Paris, France (1997 to 2004). Mr. Brabeck-Letmathe studied economics at the University of World Trade, Vienna.

Mr. Brabeck-Letmathe has been vice-chairman of the board of directors of L'Oréal SA, Paris, since 1997, and has been a board member of Exxon Mobil Corporation and Delta Topco (Formula 1), both since 2010, and assumed the role of chairman of Delta Topco (Formula 1) in 2012. He is also a member of the foundation board of the World Economic Forum and a member of the European Round Table of Industrialists.

**Jassim Bin Hamad J.J. Al Thani**
Born 1982
Qatari Citizen

Jassim Bin Hamad J.J. Al Thani has been a member of the Board since 2010. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Bin Hamad J.J. Al Thani will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be not independent under the Group's independence standards. For further information, refer to "Independence determination".

Since April 2005, Mr. Bin Hamad J.J. Al Thani has been chairman of the board of directors of Qatar Islamic Bank. He is also chairman of: QInvest, the first Islamic investment bank founded in Qatar; Damaan Islamic Insurance Co. (BEEMA); and Q-RE LLC, an insurance and reinsurance company. He is CEO of Al Mirqab Capital LLC, Qatar, a family enterprise, and a member of the board of directors of Qatar Navigation Company and Qatar Insurance Company. Mr. Bin Hamad J.J. Al Thani completed his studies in the State of Qatar and graduated as an Officer Cadet from the Royal Military Academy in England.

**Iris Bohnet**
Born 1966
Swiss Citizen

Iris Bohnet was elected to the Board at the AGM 2012 and has since served as a member of the Compensation Committee. Her term as a member of the Board expires at the AGM in 2014. As of that date, Ms. Bohnet will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined her to be independent under the Group's independence standards.

Ms. Bohnet has been a professor of public policy at the Harvard Kennedy School, Massachusetts, since 2006, and Academic Dean of the Harvard Kennedy School since 2011. Ms. Bohnet also serves as director of the Women and Public Policy Program at the Harvard Kennedy School. She joined the academic faculty of Harvard University in 1998 as assistant professor of public policy at the Harvard Kennedy School and was named associate professor in 2003. She was a visiting scholar at the Haas School of Business at the University of California at Berkeley (1997 to 1998). Ms. Bohnet received a master's degree in Economic History, Economics and Political Science from the University of Zurich, Switzerland, in 1992, and a doctorate in Economics from the same university in 1997.

Ms. Bohnet is currently a member of the board of the University of Lucerne, a member of the advisory board of the Vienna University of Economics and Business Administration and a member of the Global Agenda Council on Women's Empowerment of the World Economic Forum. Ms. Bohnet is also a member of the advisory board of the Decision Making and Negotiations Journal.

**Noreen Doyle**
Born 1949
Irish and US Citizen

Noreen Doyle has been a member of the Board since 2004 and a member of the Risk Committee since 2009. She served on the Audit Committee (2007 to 2009) and the Risk Committee (2004 to 2007). Since 2012, Ms. Doyle has also served as a non-executive director and as of 2013 chairs the boards of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. She also chaired the Audit Committee of these two entities (2011 to 2012). Her term as a member of the Board expires at the AGM in 2014. As of that date, Ms. Doyle will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined her to be independent under the Group's independence standards.

Ms. Doyle was first vice president and head of banking of the European Bank for Reconstruction and Development (EBRD) from 2001 to 2005. She became deputy vice president of Risk Management in 1997, was appointed chief credit officer in 1994 and joined the EBRD in 1992 as head of syndications. Prior to joining the EBRD, Ms. Doyle spent 18 years at Bankers Trust Company with assignments in Houston, New York and London. Ms. Doyle received a BA in Mathematics from The College of Mount Saint Vincent, New York, in 1971, and an MBA in Finance from Dartmouth College, New Hampshire, in 1974.

Ms. Doyle currently serves on the boards of directors of the Newmont Mining Corporation and QinetiQ Group Plc., a UK-based defense technology and security company. She is also a member of the advisory panel of the Macquarie European Infrastructure Fund and the Macquarie Renaissance Infrastructure Fund and a member of the advisory board of Sapphire Partners, a UK based executive search firm. Ms. Doyle also chairs the board of governors of the Marymount International School, London, and is a patron of Women in Banking and Finance in London.

**Jean-Daniel Gerber**
Born 1946
Swiss Citizen

Jean-Daniel Gerber was elected to the Board at the AGM 2012 and has since served as a member of the Audit Committee. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Gerber will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Jean-Daniel Gerber was appointed by the Swiss Federal Council to state secretary in 2004. In this function, he was head of the state secretariat for Economic Affairs, a function from which he retired in 2011. Mr. Gerber was director of the Swiss Federal Office of Migration (1997 to 2004), and served as executive director at the World Bank Group in Washington D.C. (1993 to 1997). Prior to that, he held the positions of head of Economic and Financial Affairs at the Swiss Embassy in Washington D.C. and Swiss representative of the World Trade Organization. Mr. Gerber received a degree in Economics from the University of Berne, Switzerland, in 1972, and was awarded an honorary doctorate from the Faculty of Economics and Social Sciences at the same university in 2007.

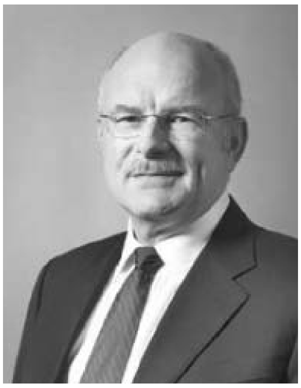
Mr. Gerber is a member of the board of directors and the audit committee of the Lonza Group AG and since 2013, he has chaired the nomination and compensation committee. Mr. Gerber is chairman of the board and of the investment committee of the Swiss Investment Fund for Emerging Markets and also president of the Swiss Society for Public Good and a member of the JTI Foundation.

**Walter B. Kielholz**
Born 1951
Swiss Citizen

Walter B. Kielholz has been a member of the Board since 1999, the Compensation Committee since 2009 and the Chairman's and Governance Committee since 2011. He served as Chairman of the Board and the Chairman's and Governance Committee (2003 to 2009), chairman of the Audit Committee (1999 to 2002) and a member of the Risk Committee (2009 to 2011). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Kielholz will be retiring from the Board. The Board has determined him to be independent under the Group's independence standards.

Since May 2009, he has served as the chairman of the board of directors of Swiss Re, vice-chairman in 2007, executive vice-chairman of the board of directors of Swiss Re in 2003 and has been a board member since 1998. He was Swiss Re's CEO (1997 to 2002) and became a member of Swiss Re's executive board in 1993. Mr. Kielholz joined Swiss Re, Zurich, in 1989. In 1986, he joined Credit Suisse, responsible for client relations with large insurance groups in the Multinational Services department. Mr. Kielholz's career began at the General Reinsurance Corporation, Zurich, in 1976, and he assumed responsibility for the company's European marketing after working in the US, the UK and Italy. Mr. Kielholz received a degree in Business Finance and Accounting from the University of St. Gallen, Switzerland, in 1976.

Mr. Kielholz serves as chairman of the European Financial Services Roundtable and vice-chairman of the Institute of International Finance. He is also a member of the advisory boards of Corsair Capital Ltd. and the Monetary Authority of Singapore and a member of the World Economic Forum International Business Council. In addition, Mr. Kielholz is a member and former chairman of the supervisory board of Avenir Suisse and a senior advisor to the Credit Suisse Research Institute. He is a member of the board of trustees of the Lucerne Festival and chairman of the Zürcher Kunstgesellschaft (Zurich Art Society), which runs Zurich's Kunsthaus museum.



**Andreas N. Koopmann**
Born 1951
Swiss Citizen

Andreas N. Koopmann has been a member of the Board since the AGM in 2009 and has since served as a member of the Risk Committee. Mr. Koopman has been a member of the Compensation Committee since the AGM in 2013. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Koopmann will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

From 1982 to 2009, Mr. Koopmann held various leading positions at Bobst Group S.A., Lausanne, one of the world's leading suppliers of equipment and services to packaging manufacturers. He was group CEO (1995 to 2009) and a member of its board of directors (1998 to 2002). Mr. Koopmann received a master's degree in Mechanical Engineering from the Swiss Federal Institute of Technology, Switzerland, in 1976 and an MBA from International Institute for Management Development, Switzerland, in 1978.

Mr. Koopmann is chairman of the board of directors of Georg Fischer AG. Since 2003, Mr. Koopmann has been a member of the board of directors of Nestlé SA, its vice-chairman and a member of its chairman's and corporate governance committee. He is also a member of the board of directors of the CSD Group, an engineering consultancy enterprise in Switzerland, a member of the advisory board of Sonceboz SA, a producer of electric motors, and a member of the advisory board of Spencer Stuart, Switzerland, an executive search firm. Since 2013, Mr. Koopmann is a member of the board of directors of Economiesuisse.

**Jean Lanier**
**Born 1946**
**French Citizen**

Jean Lanier has been a member of the Board and the Audit Committee since 2005 and a member of the Compensation Committee since 2011. Mr. Lanier has served as the chairman of the Compensation Committee and as a member of the Chairman's and Governance Committee since the AGM in 2013. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Lanier will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Lanier is the former chairman of the managing board and group CEO of Euler Hermes, Paris, and chaired the boards of the principal subsidiaries of the group (1998 to 2004). Prior to that, he was managing director of the Euler Group (1997 to 1998) and COO and managing director of SFAC (1990 to 1997), which became Euler Hermes SFAC. He was managing director of the Pargesa Group based in Paris and Geneva (1988 to 1990) and held the position of President of Lambert Brussells Capital Corporation in New York (1983 to 1989). Mr. Lanier started his career at the Paribas Group in 1970, where he worked until 1983. He held, among others, the functions of senior vice president of the Paribas Group Finance division and senior executive for North America of the Paribas Group in New York. He received a master's degree in Engineering from the Ecole Centrale des Arts et Manufactures, Paris, in 1969, and a Master of Science in Operations Research and Finance from Cornell University, New York, in 1970.

Mr. Lanier is the chairman of the board of directors for the Swiss Re subsidiaries Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA and also serves on their respective audit and risk committees. He chairs the board of the foundation La Fondation Internationale de l'Arche and is a member of the board of friends of l'Arche Long Island. Mr. Lanier holds the title of Chevalier de la Légion d'Honneur in France.

**Kai S. Nargolwala**
**Born 1950**
**Singapore Citizen**

Kai S. Nargolwala was elected to the Board at the AGM in 2013 and has since served as a member of the Risk Committee. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Nargolwala will be proposed for re-election by our shareholders as a member of the Board for a period of one year. He was determined to be not independent at the time of his election at the AGM in 2013 due to his former role on the Executive Board, but was considered independent as of the end of October 2013, after the lapse of the compulsory three-year cooling-off period.

Mr. Nargolwala was a member of the Credit Suisse Executive Board and CEO of the Asia Pacific region from 2008 to 2010 and was non-executive chairman of Credit Suisse's Asia-Pacific region from 2010 to 2011. From 1999 to 2007, he worked at Standard Chartered Plc., where he was the main board executive director with responsibility for governance in Asia and the group's global risk and special assets management functions. Prior to that, he spent almost twenty years in a variety of functions at Bank of America, among them the group executive vice president and head of Asia wholesale banking group. He joined Peat Marwick Mitchell & Co. in London after completing his studies, where he worked for six years. Mr. Nargolwala received a BA in Economics from the University of Delhi (1969) and gained a Fellowship (FCA) from the Institute of Chartered Accountants in England and Wales (1974).

Since 2006, Kai S. Nargolwala has been a member of the board of directors (lead independent director since 2009) of Singapore Telecommunications Ltd., Singapore's largest publicly listed company, and since 2012, a member of the board of directors of Prudential Plc., a global financial services company headquartered in the UK, and a member of the board of directors of PSA International Pte. Ltd. in Singapore, one of the world's largest port operators. Mr. Nargolwala is chairman of Clifford Capital Pte. Ltd. since 2012, a company supported by the government of Singapore that provides financing of foreign projects for companies in Singapore and chairman of the governing board of the Duke-NUS Graduate Medical School of Singapore. Mr. Nargolwala is a member of the board of directors of the Casino Regulatory Authority in Singapore and, since February 2014, a member of the Singapore Capital Markets Committee of the Monetary Authority of Singapore.

**Anton van Rossum**
**Born 1945**
**Dutch Citizen**

Anton van Rossum has been a member of the Board since 2005 and a member of the Risk Committee since 2008. He served on the Compensation Committee (2005 to 2008). His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. van Rossum will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. van Rossum was CEO of Fortis (2000 to 2004). He was also a member of the board of directors of Fortis and chaired the boards of the principal subsidiaries of the group during this time. Prior to that, Mr. van Rossum worked 28 years with McKinsey and Company, where he led a number of top management consulting assignments, with a focus on the banking and insurance sectors. He was elected principal in 1979 and a director of the firm in 1986. Mr. van Rossum studied Economics and Business Administration at the Erasmus University, Rotterdam, where he obtained a bachelor's degree in 1965 and a master's degree in 1969.

Mr. van Rossum is a member of the supervisory board and audit committee of Munich Re AG, an international re-insurance and primary insurance group, and chairs the supervisory board of Royal Vopak NV, Rotterdam, an international oil, chemicals and liquefied natural gas storage group. In addition, he is a member of the board of directors of Solvay SA, Brussels, an international chemicals and plastics company. He also chairs the board of trustees of the Netherlands Economics Institute and is a member of the advisory board of the Solvay Business School, Brussels. Mr. van Rossum was chairman of the supervisory board of Erasmus University, Rotterdam (2005 to 2013).

**Richard E. Thornburgh**
**Born 1952**
**US Citizen**

Richard E. Thornburgh has been a member of the Board and the Risk Committee since 2006 and chairman of the Risk Committee and a member of the Chairman's and Governance Committee since 2009 and the Audit Committee since 2011. As of 2013, Mr. Thornburgh also serves as a non-executive director of Credit Suisse International and Credit Suisse Securities Europe Limited, two of the Group's UK subsidiaries. His term as a member of the Board expires at the AGM in 2014. As of that date, Mr. Thornburgh will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards.

Mr. Thornburgh is currently a senior investment professional at Corsair Capital, New York, a private equity investment company, and previously served as vice-chairman of the board. He was the CRO of Credit Suisse Group (2003 to 2004). In 2004, he was appointed executive vice-chairman of Credit Suisse First Boston. He was CFO of Credit Suisse First Boston (2000 to 2002) and vice-chairman of the executive board of Credit Suisse First Boston (1999 to 2002). Mr. Thornburgh was the CFO of Credit Suisse Group (1997 to 1999). He was appointed a member of the Group Executive Board (1997 to 2005). In 1995, Mr. Thornburgh was appointed chief financial and administrative officer and a member of the executive board of Credit Suisse First Boston. He began his investment banking career in New York with The First Boston Corporation, the predecessor firm of Credit Suisse First Boston. Mr. Thornburgh received a BBA from the University of Cincinnati, Ohio, in 1974, as well as an honorary doctorate in 2009, and an MBA from the Harvard Business School, Massachusetts, in 1976.

Mr. Thornburgh is a member of the board of directors, audit committee and strategic committee of Reynolds American Inc., Winston-Salem, and a board of directors, audit committee and financial policy committee member of McGrawHill Financial, Inc. New York, since 2011. Mr. Thornburgh is also a member of the board of directors and lead director and chair of the risk committee for New Star Financial Inc., Massachusetts. Furthermore, he serves on the executive committee of the University of Cincinnati Foundation and the investment committee of the University of Cincinnati.

**John Tiner**
**Born 1957**
**British Citizen**

John Tiner has been a member of the Board and the Audit Committee since the AGM in 2009. He has chaired the Audit Committee and has also been a member of the Chairman's and Governance and Risk Committees since the AGM in 2011. His term as member of the Board expires at the AGM in 2014. As of that date, Mr. Tiner will be proposed for re-election by our shareholders as a member of the Board for a period of one year. The Board has determined him to be independent under the Group's independence standards and a financial expert within the meaning of SOX.

From September 2008 until March 2013, Mr. Tiner was CEO of Resolution Operations LLP, a privately owned advisory firm which provided services to Resolution Ltd., a company listed on the London Stock Exchange. Mr. Tiner was previously CEO of the FSA (2003 to 2007). He joined the FSA in 2001 as managing director of the consumer insurance and investment directorate and was a member of the managing board of the Committee of European Insurance and Occupational Pensions Regulators and chairman of the Committee of European Securities Regulators – Standing Committee on Accounting and Auditing. Before joining the FSA, Mr. Tiner was a managing partner at Arthur Andersen, responsible for its worldwide financial services practice. Mr. Tiner received a degree in 1980 as a UK Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a fellow of the same institute. He was given an honorary Doctor of Letters at his former college, Kingston University, London, in 2010.

Since March 2013, Mr. Tiner has been a member of the board of Resolution Ltd. and, since 2009, he has served as non-executive member of the board of directors of Friends Life Group plc, a UK insurance company. Mr. Tiner is also a member of the advisory board of Corsair Capital, a private equity investment company. Furthermore, since 2008, he serves as a member of the board of trustees of The Urology Foundation. In recognition of his contribution to the financial services industry, Mr. Tiner was awarded the title of Commander of the British Empire (CBE) in 2008.

**Honorary Chairman of Credit Suisse Group**
**Rainer E. Gut**
**Born 1932**
**Swiss Citizen**

Rainer E. Gut was appointed Honorary Chairman of Credit Suisse Group in 2000, after he retired as Chairman, a position he had held since 1986. Mr. Gut was a member of the board of directors of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

**Secretaries of the Board**
**Pierre Schreiber**
**Joan E. Belzer**

## EXECUTIVE BOARD

### Members of the Executive Board

The Executive Board is responsible for the day-to-day operational management of the Group. It develops and implements the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board. It further reviews and coordinates significant initiatives, projects and business developments in the divisions, regions and in the Shared Services functions and establishes Group-wide policies. The composition of the Executive Board of the Group and the Bank is identical.

Effective December 31, 2013, Tobias Guldimann stepped down from the Executive Board and his position as Chief Risk Officer (CRO). Effective January 1, 2014, Joachim Oechslin was appointed as CRO and as a member of the Executive Board.

The size of the Executive Board remained stable at nine members throughout 2013.

### Members of the Executive Board

| | Appointed in | Role |
|---|---|---|
| **December 31, 2013** | | |
| Brady W. Dougan, CEO | 2003 | Group CEO |
| Gaël de Boissard, Joint Head of Investment Banking and Regional CEO of EMEA | 2012 | Divisional & Regional Head |
| Romeo Cerutti, General Counsel | 2009 | Shared Services Head |
| Tobias Guldimann, CRO [1] | 2004 | Shared Services Head |
| David R. Mathers, CFO and Head of IT and Operations | 2010 | Shared Services Head |
| Hans-Ulrich Meister, Joint Head of Private Banking & Wealth Management and Regional CEO of Switzerland | 2008 | Divisional & Regional Head |
| Joachim Oechslin, CRO [2] | 2013 | Shared Services Head |
| Robert S. Shafir, Joint Head of Private Banking & Wealth Management and Regional CEO of Americas | 2007 | Divisional & Regional Head |
| Pamela A. Thomas-Graham, Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets | 2010 | Shared Services Head |
| Eric M. Varvel, Joint Head of Investment Banking and Regional CEO of APAC | 2008 | Divisional & Regional Head |

[1] Left the Executive Board effective December 31, 2013.
[2] Appointed on June 20, 2013 as a new Executive Board member effective January 1, 2014, succeeding Tobias Guldimann.

## Biographies of the Executive Board members

**Brady W. Dougan**
Born 1959
US Citizen

**Gaël de Boissard**
Born 1967
French Citizen

Brady W. Dougan has held the position of CEO since 2007 and has been a member of the Executive Board since 2003.

Prior to his appointment as CEO of the Group, Mr. Dougan was CEO of the Investment Banking division and CEO of the Americas region. After starting his career in the derivatives group at Bankers Trust, he joined Credit Suisse First Boston in 1990. He was Head of the Equities division for five years before he was appointed Global Head of the Securities division in 2001. From 2002 to July 2004, he was co-president of institutional securities at Credit Suisse First Boston, and from 2004 until 2005, he was CEO of Credit Suisse First Boston and, after the merger with Credit Suisse in May 2005, he was CEO of Investment Banking until 2007.

Mr. Dougan received a BA in Economics in 1981 and an MBA in Finance in 1982 from the University of Chicago, Illinois.

Mr. Dougan has been a member of the board of directors of Humacyte Inc., a biotechnology company, since 2005. He has also been a member of the board of trustees of the University of Chicago since January 2013.

Gaël de Boissard jointly leads the Investment Banking division together with Eric Varvel with responsibility for the Fixed Income business. He is also CEO of the EMEA region. Gaël de Boissard has been a member of the Executive Board since January 2013.

Prior to his appointment to the Executive Board, Mr. de Boissard spent four years as the Co-Head of Global Securities with responsibility for trading and risk management of Fixed Income products and was previously responsible for Global Rates and Foreign Exchange. Mr. de Boissard joined Credit Suisse First Boston in 2001 from JPMorgan Chase, where he worked in a variety of roles in fixed income, having started in the Paris office in 1990.

Mr. de Boissard graduated with a degree in Mathematics and Civil Engineering from the Ecole Polytechnique in Palaiseau, France, and received a degree in Russian from the University of Volgograd.

From 2009 to 2013, Mr. de Boissard chaired the Association of Financial Markets in Europe, an industry organization that engages with policymakers on financial regulation.

**Romeo Cerutti**
**Born 1962**
**Swiss and Italian Citizen**

Romeo Cerutti has been Group General Counsel and a member of the Executive Board since April 2009.

Prior to that, Mr. Cerutti was General Counsel of the Private Banking division from 2006 to 2009 and global Co-Head of Compliance of Credit Suisse from 2008 to 2009. Before joining Credit Suisse, Mr. Cerutti was a partner of the group holding of Lombard Odier Darier Hentsch & Cie, from 2004 to 2006, and head of corporate finance at Lombard Odier Darier Hentsch & Cie from 1999 to 2006. Prior to that position, Mr. Cerutti was in private practice as an attorney-at-law with Homburger Rechtsanwälte in Zurich from 1995 to 1999 and with Latham and Watkins in Los Angeles from 1993 to 1995.

Mr. Cerutti studied law at the University of Fribourg and obtained his doctorate in 1990. He was admitted to the bar of the canton of Zurich in 1989 and the bar of the state of California in 1992. Mr. Cerutti also holds a Master of Laws from the University of California, School of Law, Los Angeles.

Mr. Cerutti has been a member of the board of trustees of the University of Fribourg since 2006. He also currently represents Credit Suisse on the board of the Swiss Bankers Association since December 2012.

**Tobias Guldimann**
**Born 1961**
**Swiss Citizen**

Tobias Guldimann was CRO of Credit Suisse since 2009 and a member of the Executive Board in the role of Group CRO since 2004 until he stepped down effective December 31, 2013.

Mr. Guldimann joined Credit Suisse's Internal Audit department in 1986 before transferring to Investment Banking in 1990. He later became Head of Derivatives Sales in 1992, Head of Treasury Sales in 1993 and Head of Global Treasury Coordination at Credit Suisse in 1994. In 1997, he became responsible for the management support of the CEO of Credit Suisse First Boston before becoming Deputy CRO of Credit Suisse Group, a function he held from 1998 to 2004. From 2002 to 2004, he also served as Head of Strategic Risk Management at Credit Suisse.

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

Mr. Guldimann has been a member of the International Financial Risk Institute (IFRI) since 2010 and became a member of the IFRI Executive Committee in 2011. He is also a member of the board of trustees of the Winterthur Art Museum.

**David R. Mathers**
**Born 1965**
**British Citizen**

David Mathers has been CFO of Credit Suisse Group and a member of the Executive Board since October 2010. He is also responsible for the Group's global IT and Operations functions.

Prior to his appointment as CFO, Mr. Mathers was Head of Finance and COO for Investment Banking in New York and London from 2007 to 2010. In this role, he was responsible for Investment Banking Finance, Operations, Expense Management and Strategy. Mr. Mathers started his career as a research analyst at HSBC James Capel in 1987 and became global head of equity research in 1997. He joined Credit Suisse in 1998, working in a number of senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities.

Mr. Mathers holds an MA in Natural Sciences from the University of Cambridge, England. Since 2011, he has also served as a member of the Council of the British-Swiss Chamber of Commerce.

**Hans-Ulrich Meister**
**Born 1959**
**Swiss Citizen**

Hans-Ulrich Meister jointly leads the Private Banking & Wealth Management division together with Robert Shafir, with responsibility for the Private Banking business. He is also CEO of the region Switzerland. Mr. Meister has been a member of the Executive Board since September 2008.

Between 2011 and 2012, Mr. Meister served as CEO of Private Banking and from 2008 onward as CEO of the Swiss region, a role he continues to hold. Before joining Credit Suisse in 2008, Mr. Meister spent 25 years with UBS. Among the roles he had were head of corporate banking region Zurich from 1999 to 2002, head of large corporates and multinationals from 2003 to 2005 and head of business banking from 2005 to 2007. From 2002 to 2003, he worked on group projects in the area of wealth management, based in New York. From 2004 to 2007, Mr. Meister was a member of UBS's group managing board.

Mr. Meister graduated from the University of Applied Sciences in Zurich in 1987, majoring in Economics and Business Administration. In addition, he attended Advanced Management programs at the Wharton School, University of Pennsylvania in 2000 and the Harvard Business School in 2002.

Mr. Meister has been a member of the foundation board of the Swiss Finance Institute since 2008. He has also been a member of the board of directors of the Zurich Chamber of Commerce since 2010. Since 2013, Mr. Meister has served as member of the foundation board of the Zurich Zoo.

**Joachim Oechslin**
Born 1971
Swiss Citizen

Joachim Oechslin was appointed CRO and a member of the Executive Board of Credit Suisse as of January 1, 2014.

Mr. Oechslin started his professional career in 1998 as a consultant at McKinsey & Company in Zurich. In 2001, he joined Winterthur Life & Pensions and was subsequently appointed CRO (2003) and a member of the executive committee of Winterthur Group (2006). With the sale of Winterthur to AXA in 2006, he took over the position of deputy CRO at AXA in Paris. In September 2007, he joined Munich Re Group in Munich as CRO and remained in that position until joining Credit Suisse in 2014.

Mr. Oechslin holds a master's degree in Mathematics from the Swiss Federal Institute of Technology in Zurich (1998) and an engineering degree from the Higher Technical Institute in Winterthur (2004).

Mr. Oechslin is a member of the International Financial Risk Institute.

**Robert S. Shafir**
Born 1958
US Citizen

Robert Shafir jointly leads the Private Banking & Wealth Management division together with Hans-Ulrich Meister, with responsibility for Private Banking & Wealth Management Products. He is also CEO of the Americas region. Mr. Shafir has been a member of the Executive Board since August 2007.

From 2008 until 2012, Mr. Shafir was CEO of Asset Management and also held the position of CEO of the Americas region between 2007 and 2010, reappointed to this role in 2012. Mr. Shafir joined Credit Suisse from Lehman Brothers in 2007, where he worked for 17 years, having served as head of equities and a member of their executive committee. He also held other senior roles, including head of European equities and global head of equities trading, and played a key role in building Lehman's equities business into a global, institutionally focused franchise. Prior to that, he worked at Morgan Stanley in the preferred stock business within the fixed income division.

Mr. Shafir received a BA in Economics from Lafayette College, Pennsylvania, in 1980, and an MBA from Columbia University, Graduate School of Business, New York, in 1984.

Mr. Shafir is a member of the board of directors of the Cystic Fibrosis Foundation.

**Pamela A. Thomas-Graham**
**Born 1963**
**US Citizen**

**Eric M. Varvel**
**Born 1963**
**US Citizen**

Pamela Thomas-Graham is Chief Marketing and Talent Officer and Head of Private Banking & Wealth Management New Markets. She has been a member of the Executive Board since January 2010.

Prior to joining the Group, Ms. Thomas-Graham was a managing director in the private equity group of Angelo, Gordon & Co., a New York-based investment management firm, from 2008 to 2010. She previously served as group president of Liz Claiborne Inc.'s women's wholesale apparel business from 2005 to 2008. Ms. Thomas-Graham was at NBC for six years from 1999 to 2005, where she served as president, CEO and chairwoman of CNBC television and a director of CNBC International. She also served as president and CEO of CNBC.com. Prior to that, she worked at McKinsey & Company for ten years from 1989 to 1999.

Ms. Thomas-Graham obtained a BA in Economics from Harvard University, Massachusetts, in 1985, a JD from Harvard Law School in 1989 and an MBA from Harvard Business School in 1989.

Ms. Thomas-Graham is a member of the board of directors of the Clorox Company and a member of the board of governors of the Parsons School of Design. She is also a member of the Council on Foreign Relations, the Economic Club of New York, the Trustees Education Committee of the Museum of Modern Art and the Business Committee of the Metropolitan Museum of Art. In addition, she is a member of the board of the New York Philharmonic.

Eric Varvel jointly leads the Investment Banking division together with Gaël de Boissard, with responsibility for the Equities & Investment Banking business. He is also the CEO of the Asia Pacific region. Eric Varvel has been a member of the Executive Board since February 2008.

From 2010 until 2012, Mr. Varvel was CEO of Investment Banking and served as acting CEO from September 2009 until July 2010. From 2008 until 2010, Mr. Varvel was CEO of the EMEA region. Prior to his appointment to the Executive Board in 2008, he was Co-Head of the Global Investment Banking department and Head of the Global Markets Solutions Group in the Investment Banking division of Credit Suisse for over three years, based in New York. Before that, Mr. Varvel spent 15 years in the Asia Pacific region in a variety of senior roles, including Head of Investment Banking and Emerging Markets Coverage for the Asia Pacific region ex-Japan and Head of Fixed Income Sales and Corporate Derivative Sales. During that time, Mr. Varvel was based in Tokyo, Jakarta and Singapore. Mr. Varvel joined Credit Suisse in 1990. Previously, he worked as an analyst for Morgan Stanley in its investment banking department in New York and Tokyo.

Mr. Varvel holds a BA in Business Finance from Brigham Young University, Utah.

Since 2010, Mr. Varvel has been a member of the board of directors of the Qatar Exchange.

## ADDITIONAL INFORMATION

### Changes in control and defense measures

#### Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the SESTA and the implementing ordinances.

#### Clauses on changes in control

Subject to certain provisions in the Group's employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the case of a change in control in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Compensation Committee or the Board. In the case of a change in control, there are no provisions in the employment contracts of Executive Board members that require the payment of any type of extraordinary benefits, including special severance awards.

### Internal and external auditors

Auditing forms an integral part of corporate governance at the Group. Both internal and external auditors have a key role to play by providing an independent assessment of our operations and internal controls.

#### Internal Audit

Our Internal Audit function comprises a team of around 240 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit, Martyn Scrivens, reports directly to the Audit Committee chairman.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Regulations of Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining areas of audit concentration and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee chairman. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

### External auditors

Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Simon Ryder, Group Engagement Partner (since 2010).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services.

## Fees paid to external auditors

| | **2013** | 2012 | % change |
|---|---|---|---|
| **Fees paid to external auditors (CHF million)** | | | |
| Audit services [1] | 36.7 | 39.7 | (8) |
| Audit-related services [2] | 6.4 | 6.5 | (2) |
| Tax services [3] | 4.9 | 5.6 | (13) |

[1] Audit fees include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries.

[2] Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

[3] Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In addition, our policy on the engagement of public accounting firms, which has been approved by the Audit Committee, strives to further ensure an appropriate degree of independence of our external auditor. The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. In accordance with this policy and as in prior years, all KPMG non-audit services provided in 2013 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed to date.

### American Depositary Share fees

#### Fees and charges for holders of ADS

In accordance with the terms of the Deposit Agreement, Deutsche Bank Trust Company Americas, as depositary for the ADS (Depositary), may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

## Fees and charges for holders of ADS

| | |
|---|---|
| **Fees** | |
| USD 5 (or less) per 100 ADS (or portion thereof) | For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares. |
| USD 2 per 100 ADS | For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements. |
| Registration or transfer fees | For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares. |
| **Charges** | |
| Expenses of the Depositary | For cable, telex and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars. |
| Taxes and other governmental charges | Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon. |
| Other charges | Paid, as necessary, to the Depositary or its agents for servicing the deposited shares. |

The Depositary collects its fees for the delivery and surrender of ADS directly from investors depositing shares or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee services until its fees for those services are paid.

#### Amounts paid by the Depositary to the Group

In accordance with the Group's engagement letter, in 2013 the Depositary made payments to the Group of USD 1.6 million, including for the reimbursement of expenses relating to its American Depositary Receipt (ADR) program. The Depositary has also contractually agreed to provide certain ADR program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADR program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

### Liquidation

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by:
- a supermajority of at least three-quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation; and
- a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events.

Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

# Compensation

### Dear shareholders

During 2013, the Board of Directors, Compensation Committee and management continued to refine and evolve our compensation approach to take into account changes in the environment and the concerns of shareholders.

We believe that the purpose of compensation is to attract, motivate and retain employees who share our values of achieving results with integrity and fairness. We are proactive in adapting our compensation to the changing business and regulatory environment while being mindful of the competitive environment. The new regulatory landscape has a significant influence on our strategy and that of many of our competitors and has increased the challenge of delivering high returns on capital in the banking industry. In that context, we must listen to our shareholders' concerns and ensure our compensation policy and practices achieve an appropriate balance between the interests of our shareholders and those of our employees.

In addition, we continue to monitor and ensure we comply with new regulations pertaining to compensation, in particular the Swiss Ordinance Against Excessive Compensation and the Capital Requirements Directive IV rules, as well as regulations governing material risk takers and controllers in the UK and the US.

**Key developments in 2013**

One area we addressed in 2013 relates to the potential dilution to existing shareholders resulting from granting share-based awards as part of variable incentive compensation. To replace a portion of our share-based awards, we have introduced a new deferred compensation award referred to as Contingent Capital Awards (CCA). The CCA have rights and risks similar to the high-trigger capital instruments issued by Credit Suisse in the market (also known as CoCos) and help to strengthen further the regulatory capital base of the Group. However, unlike the instruments issued to the market, the CCA would not convert into equity upon a trigger event, but would be written down to zero. We intend to grant CCA as part of our annual deferred variable compensation awards in the future.

As a consequence of these changes to the variable compensation structure, our deferred compensation awards represent a set of instruments that supports our regulatory capital requirements and is consistent with instruments available to our investors.

In response to the Swiss Ordinance Against Excessive Compensation published in November 2013, while maintaining the advisory vote on overall compensation, we are preparing for the introduction of a binding vote on compensation for members of the Executive Board and Board of Directors at the 2015 Annual General Meeting. As a result, this Compensation Report is structured into three distinct sections, addressing the compensation of Group employees, the Executive Board and the Board of Directors, respectively.

**Compensation decisions in 2013**

In determining the overall Group variable compensation pools, the Compensation Committee took into consideration the improved financial performance of Credit Suisse in 2013 compared to the prior year, including relative performance compared to peers, as well as qualitative achievements and market compensation trends.

In seeking to achieve the appropriate balance between the interests of our shareholders and those of our employees, the Compensation Committee primarily focuses on economic contribution measured as income before taxes and variable incentive compensation expense, after deducting a charge for capital usage. Therefore, this metric considers the profitability of the Group and the capital utilized to achieve this profitability. The continued management focus on our cost-efficiency programs was evidenced by the 9% decline in total Group compensation and benefits expenses compared to the previous year, with the Group's overall compensation-to-revenue ratio declining to 44% in 2013, from 52% in 2012. Total compensation awarded for the performance year 2013 declined by 4% compared to 2012, and the Group variable incentive compensation pool for 2013 increased by 5%, reflecting the improved financial performance achieved, with underlying pre-tax income for 2013 increasing by 15%.

Variable incentive compensation awarded to our Executive Board members totaled CHF 47.4 million for performance in 2013, CHF 2.5 million or 5% lower than the CHF 49.9 million awarded in 2012, partly due to the reduction in the number of Executive Board members and resultant reassignment of previously separate executive responsibilities to other Executive Board members. Given the specific achievements related to the attainment of capital targets, improved control and compliance measures and market conditions, the incentive compensation awarded to the Executive Board members was, on average, 17% above the applicable target amounts and 31% below the individual caps.

Compensation to the members of the Board of Directors in 2013 was in line with previous years.

**Focus areas in 2014**

In terms of Executive Board compensation, we have made refinements to the performance criteria and targets as well as to the vesting period of awards.

For the 2014 performance evaluation, which will be used to determine the amount of incentive compensation, new financial performance criteria, such as wind-down targets for non-strategic positions have been introduced. This reflects the Group's emphasis on freeing up resources from non-strategic assets to grow our strategic and high-returning businesses. Financial criteria will have a weighting of 60%, whereas non-financial criteria will represent 40% of the overall performance evaluation of all Executive Board members. The non-financial performance component includes pre-specified qualitative criteria, of which 15% will be linked to pre-defined milestones to measure progress in strategy execution, delivery of major projects and infrastructure development. We believe these modifications ensure that our Executive Board members are assessed on a broader range of measures that better reflect the strategy of the Group.

The structure for Executive Board compensation has been slightly amended for 2014. In particular, the vesting period for the deferred short-term share-based awards to Executive Board members has been extended. Under the revised structure, no awards for the performance year 2014 will vest before the third anniversary of the date of grant, and the final vesting of awards will occur five years after the date of grant. In addition, the long-term incentive award will be delivered in a combination of shares and CCA, rather than cash and CCA, in response to shareholder feedback.

The Compensation Committee will continue to ensure full compliance with regulatory requirements as they develop and evolve, and we will monitor market trends to maintain our compensation structure in line with best practice. One particular area of focus for 2014 will be a review of our use of malus and clawback provisions in comparison to industry developments in this area, to further enhance the alignment of compensation with risk and performance. Emphasis will be placed on the time period during which variable compensation may be recovered, in light of emerging regulatory demands to extend this time period significantly beyond the vesting date. We will continue to assess the implications of the Capital Requirements Directive IV and intend to align compensation structures for affected employees in EU locations towards a ratio of 2:1 for variable compared to fixed compensation, in line with market practice.

Finally, the Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2013. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

Jean Lanier
Chairman of the Compensation Committee
Member of the Board of Directors
April 2014

## GROUP COMPENSATION

### Compensation policy and objectives

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

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

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

### Compensation Committee

The Compensation Committee of the Board (Compensation Committee) is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing compensation for approval by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Walter B. Kielholz, and Andreas N. Koopmann. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the rules of the New York Stock Exchange and the Nasdaq Stock Market in determining that all of these individuals are independent.

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

#### Advisors to the Compensation Committee

The Compensation Committee is authorized to retain outside consultants, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. Johnson Associates, a compensation consulting firm, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. Johnson Associates does not provide any services to the Group other than those it provides to the Compensation Committee. The law firm Nobel & Hug acts as external legal counsel to the Compensation Committee.

#### Compensation Committee meetings and annual performance review

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

In January of each year, the Compensation Committee meets, with the Chairman present, for the primary purpose of reviewing the performance of the Group, businesses and the respective management teams for the previous year. This provides the basis for a recommendation of the overall compensation pools for the business divisions and shared services functions and the compensation payable to the CEO and other Executive Board members for approval by the Board.

During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in January. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

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

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC) as defined on page 181. The Risk Committee is involved in the review process for MRTC.

During 2013, the Compensation Committee held 12 meetings, with the following focus areas:

- assessing the performance of the Group and determining the divisional compensation pools for recommendation to the Board;
- reviewing the level and composition of compensation for Executive Board members and other senior employees, taking into account the key issues raised by shareholders and emerging best practice among peer companies;

- monitoring global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Swiss Ordinance Against Excessive Compensation;
- introducing a new form of deferred compensation award to address shareholder concerns regarding dilution; and
- further enhancing the compensation process for Covered Employees (which include MRTC as well as certain other employees, as defined below) in line with regulatory guidance.

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

#### Approval authority

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

Board approval, based on the recommendation of the Compensation Committee, is required to:
- establish or amend the Group's compensation policy;
- establish or amend the compensation plans;
- determine the variable compensation pools for the Group and divisions;
- determine compensation for the Executive Board members, including the CEO; and
- determine compensation of the Board, including the Chairman.

Compensation Committee approval is required for compensation decisions with respect to:
- the head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

### Impact of regulation on compensation

Many of the Group's regulators, including FINMA, focus on compensation. The requirements of FINMA are set out in FINMA's Circular on Remuneration Schemes (Circular). The requirements of this Circular apply to the Group globally, while the requirements of other regulators generally only apply in respect of operations in the relevant jurisdictions. Several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group's plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, local plans are adapted accordingly. This generally results in additional terms, conditions and processes being implemented in the relevant locations.

The Compensation Committee is assessing the implications of the Capital Requirements Directive (CRD) IV and intends to align compensation structures for affected employees in EU locations towards a ratio of 2:1 for variable compared to fixed compensation, in line with market practice.

### Determination of variable compensation pools

In determining the variable compensation pools (pools) the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. For this purpose, the Compensation Committee uses a measure of economic contribution to assess profitability. Economic contribution is measured at both the Group and divisional levels as underlying income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on allocated capital, which is defined as 10% of average Basel III risk-weighted assets. This measure of economic contribution considers the profitability of the Group and the capital utilized to achieve this profitability. The Compensation Committee intends to achieve an equal distribution of economic contribution between employees and shareholders over the longer-term, subject to Group performance and market conditions.

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

As in the case for the Group, the primary measure of performance for determining the pools of the business divisions is divisional economic contribution. The methodology to determine the divisional pools also takes into account divisional key performance indicators (KPIs) and certain non-financial criteria, including risk control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment.

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

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

### Competitive benchmarking

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

The peer groups used in 2013 for the Group and the divisions are shown in the following table, along with the specific performance criteria used for assessing relative performance. Most of these peer companies mention Credit Suisse as one of their peers for the purposes of compensation benchmarking.

## 2013 peer groups and performance criteria[1]

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

[1] The peer groups and performance criteria were reviewed and reaffirmed by the Compensation Committee in April 2013.

### Focus on risk and control

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

#### Role of control functions

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

**Material Risk Takers and Controllers**

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

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

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

**Compensation process for MRTC**

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

**Covered Employees**

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

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

**Malus and performance-based clawback provisions**

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

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

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

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

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

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

**Compensation design**

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

Variable compensation for 2013 was awarded primarily in the form of unrestricted cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable compensation instruments that vest after the grant date over different time periods, depending on the award, and as described further below.

## Employee categories and components of total compensation for 2013

| | Total compensation | | | | |
|---|---|---|---|---|---|
| | Fixed compensation | Variable compensation | | | |
| | | | Deferred compensation[1] | | |
| Employee category | Base salary | Unrestricted cash | Share awards | Performance share awards | Contingent Capital Awards |
| Managing directors and directors who are MRTC | | | 30% | 50% | 20% |
| Other directors | | | 80% | | 20% |
| Other MRTC | | | 50% | 50% | |
| Other employees with total compensation above CHF/USD 250,000 | | | 100% | | |
| Employees with total compensation below CHF/USD 250,000 | | | | | |

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

### Base salaries

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

### Variable compensation and deferral rates

For 2013, variable compensation was paid in unrestricted cash unless the total compensation awarded to an employee for 2013 was more than or equal to CHF 250,000 (or USD 250,000 or the local currency equivalent), in which case a portion was paid in unrestricted cash and the balance was deferred, vesting at a later date. The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. The deferral portion for 2013 ranged from 17.5% to 90% of variable compensation, unchanged from 2012, and the amount of variable compensation paid as unrestricted cash for 2013 was capped at CHF 2 million (or USD 2 million or the local currency equivalent) per employee. For 2013, 41,723 employees received variable compensation, representing 91% of total employees, of which 503 were classified as MRTC.

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

### Unrestricted cash

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

### Blocked share awards

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

### Deferred variable compensation instruments

#### Share awards

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

Share awards vest over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting), subject to malus provisions. The number of share awards granted was determined by dividing the value of the deferred component of the variable compensation to be granted as share awards by the average share price over the twelve business days ending on January 15, 2014. The final value of the share awards is solely dependent on the share price at the time of delivery. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 7,563 employees received share awards for 2013.

#### Performance share awards

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

▸ Refer to "Underlying results" in Executive Board compensation for reconciliation between reported and underlying results.

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

### Potential downward adjustments of performance share and STI awards

**Downward adjustment if division incurs a loss**

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

As in the case of share awards, performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. A total of 1,691 employees received performance share awards for 2013. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable compensation in the form of performance share awards.

Contingent Capital Awards (CCA)

CCA are a new form of deferred award that were granted as part of 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent capital instruments referred to as contingent convertible instruments (CoCos). CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.75% per annum over the six-month Swiss franc ▷ London Interbank Offered Rate (LIBOR) or 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US dollar-denominated awards, respectively, until settlement. This rate was set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

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

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

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

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

CCA will be utilized to align compensation with the maintenance of strong capital ratios, provide additional tier 1 capital, and reduce dilution to existing share capital that would otherwise be incurred with the issuance of share-based deferred compensation awards.

The total CCA awarded had a fair value of CHF 391 million and a total of 5,679 employees received CCA for 2013.

Other awards

The Group may employ other long-term incentive (LTI) compensation plans or programs to facilitate competitive hiring practices and to support the retention of talent. These variations from the standard approach apply to a small population of employees where specific circumstances justify special compensation arrangements.

For 2013, this applied to approximately 345 employees, including certain employees engaged in the Investment Banking and Private Banking & Wealth Management divisions, and in the Credit Suisse Hedging-Griffo Investimentos S.A. subsidiary. All variations from the standard approach must be approved by the Compensation Committee.

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

**Limitations on share-based awards**

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

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

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

**Total compensation awarded**

The following table shows the value of total compensation awarded to employees for 2013 and 2012.

## Total compensation awarded

| For | | | 2013 | | | 2012 [1] |
|---|---|---|---|---|---|---|
| | Unrestricted | Deferred | **Total** | Unrestricted | Deferred | **Total** |
| **Fixed compensation (CHF million)** | | | | | | |
| Salaries | 5,525 | – | 5,525 | 6,063 | – | 6,063 |
| Social security | 778 | – | 778 | 769 | – | 769 |
| Other | 800 [2] | – | 800 | 837 [2] | – | 837 |
| **Total fixed compensation** | **7,103** | **–** | **7,103** | **7,669** | **–** | **7,669** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Unrestricted cash | 1,570 | – | 1,570 | 1,202 | – | 1,202 |
| Share awards | 18 | 827 | 845 | 6 | 950 [3] | 956 |
| Performance share awards | – | 663 | 663 | – | 660 | 660 |
| Contingent Capital Awards | – | 391 | 391 | – | – | – |
| Plus Bond awards | – | – | – | – | 187 | 187 |
| Restricted Cash Awards | – | – | – | – | 299 | 299 |
| Other cash awards | – | 142 | 142 | – | 119 | 119 |
| **Total variable incentive compensation** | **1,588** | **2,023** | **3,611** | **1,208** | **2,215** | **3,423** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 113 | – | 113 | 251 | – | 251 |
| Sign-on awards | 18 | 62 | 80 | 10 | 79 | 89 |
| Cash-based commissions | 198 | – | 198 | 157 | – | 157 |
| **Total other variable compensation** | **329** | **62** | **391** | **418** | **79** | **497** |
| **Total compensation awarded (CHF million)** | | | | | | |
| **Total compensation awarded** | **9,020** | **2,085** | **11,105** | **9,295** | **2,294** | **11,589** |
| of which guaranteed bonuses | – | – | 55 [4] | – | – | 69 [4] |

[1] Represents awards made in 2012, not adjusted for discontinued operations.
[2] Includes pension and other post-retirement expense of CHF 490 million and CHF 532 million in 2013 and 2012, respectively.
[3] Includes the notional value of CHF 38 million of share awards that was reallocated to Plus Bond awards as a part of the voluntary employee reallocation offer that took place subsequent to the grant date.
[4] Guaranteed bonuses may be awarded as variable incentive compensation or sign-on awards.

Total compensation awarded for 2013 was CHF 11.1 billion, down 4% compared to 2012, with headcount levels decreasing 3% and total compensation awarded per capita decreasing 1%. Total variable incentive compensation awarded for 2013 was CHF 3.6 billion, higher by 5% compared to 2012, reflecting the improved performance of the Group in 2013. Of the total variable incentive compensation awarded across the Group for 2013, 56% was deferred and subject to future service, performance, market and clawback criteria.

Cash severance awards relating to terminations of employment of CHF 255 million and CHF 215 million were paid in 2013 and 2012 to 2,141 and 3,065 employees, respectively. Sign-on awards of CHF 18 million and CHF 10 million were paid to 83 and 159 employees in 2013 and 2012, respectively.

## Number of employees awarded variable and other compensation

| | MRTC [1] | Other employees | 2013 Total | MRTC [1] | Other employees | 2012 Total |
|---|---|---|---|---|---|---|
| **Number of employees awarded variable compensation** | | | | | | |
| **Variable compensation** | **503** | **41,220** | **41,723** | **523** | **41,959** | **42,482** |
| of which unrestricted cash | 503 | 41,220 | 41,723 | 235 | 39,935 | 40,170 |
| of which share awards | 486 | 7,077 | 7,563 | 508 | 7,084 | 7,592 |
| of which performance share awards | 461 | 1,230 | 1,691 | 481 | 1,234 | 1,715 |
| of which Contingent Capital Awards | 470 | 5,209 | 5,679 | – | – | – |
| of which Plus Bond awards | – | – | – | 298 | 1,976 | 2,274 |
| of which Restricted Cash Awards | – | – | – | 285 | 1,976 | 2,261 |
| or which other cash awards | 62 | 283 | 345 | 41 | 48 | 89 |
| **Number of employees awarded other variable compensation** | | | | | | |
| Cash severance awards | 3 | 2,138 | 2,141 [2] | 9 | 3,056 | 3,065 [2] |
| Sign-on awards | 6 | 166 | 172 | 6 | 190 | 196 |
| Cash-based commissions | 0 | 369 | 369 | 0 | 370 | 370 |
| Guaranteed bonuses | 9 | 132 | 141 | 5 | 200 | 205 |

[1] Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Investment Banking and branch managers of the US Wealth Management Clients business within the Private Banking & Wealth Management division, who were classified as covered employees by the US Federal Reserve, and UK Code Staff.
[2] Includes employees who received cash severance awards for termination of employment as of December 31, 2013 and 2012.

### Compensation awarded to Material Risk Takers and Controllers (MRTC)

The 503 employees classified as MRTC were awarded total compensation of CHF 1,355 million for 2013 and total variable incentive compensation of CHF 1,102 million for 2013, of which CHF 964 million, or 87%, was deferred. MRTC received 50% of their deferred compensation for 2013 in the form of performance share awards, which are subject to clawback provisions.

## Compensation awarded to Material Risk Takers and Controllers (MRTC)

| For | Unrestricted | Deferred | 2013 Total | Unrestricted | Deferred | 2012 Total |
|---|---|---|---|---|---|---|
| **Fixed compensation (CHF million)** | | | | | | |
| **Total fixed compensation** | **247** | **–** | **247** | **275** | **–** | **275** |
| **Variable incentive compensation (CHF million)** | | | | | | |
| Unrestricted cash | 138 | – | 138 | 77 | – | 77 |
| Share awards | – | 255 | 255 | – | 313 | 313 |
| Performance share awards | – | 407 | 407 | – | 404 | 404 |
| Contingent Capital Awards | – | 177 | 177 | – | – | – |
| Plus Bond awards | – | – | – | – | 107 | 107 |
| Restricted Cash Awards | – | – | – | – | 57 | 57 |
| Other cash awards | – | 125 | 125 | 2 | 33 | 35 |
| **Total variable incentive compensation** | **138** | **964** | **1,102** | **79** | **914** | **993** |
| **Other variable compensation (CHF million)** | | | | | | |
| Cash severance awards | 1 | – | 1 | 5 | – | 5 |
| Sign-on awards | 0 | 5 | 5 | 0 | 9 | 9 |
| Cash-based commissions | 0 | – | 0 | 0 | – | 0 |
| **Total other variable compensation** | **1** | **5** | **6** | **5** | **9** | **14** |
| **Total compensation (CHF million)** | | | | | | |
| **Total compensation** | **386** | **969** | **1,355** | **359** | **923** | **1,282** |
| of which guaranteed bonuses [1] | 3 | 11 | 14 | 1 | 4 | 5 |

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

**Group compensation and benefits expense**

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

In 2013, total compensation and benefits expenses decreased 9% compared to 2012, primarily due to lower variable compensation expense, related to lower amortization expense from deferred compensation awards granted in prior years, and lower salary expense, reflecting the reduction of headcount during the year.

## Group compensation and benefits expense

| in | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| December 31 | Current compen-sation | Deferred compen-sation | **Total** | Current compen-sation | Deferred compen-sation | **Total** |
| **Fixed compensation expense (CHF million)** | | | | | | |
| Salaries | 5,525 | – | 5,525 | 5,923 | – | 5,923 |
| Social security [1] | 778 | – | 778 | 769 | – | 769 |
| Other | 800 [2] | – | 800 | 817 [2] | – | 817 |
| **Total fixed compensation expense** | **7,103** | **–** | **7,103** | **7,509** | **–** | **7,509** |
| **Variable incentive compensation expense (CHF million)** | | | | | | |
| Unrestricted cash | 1,570 | – | 1,570 | 1,202 | – | 1,202 |
| Share awards | 18 | 814 [3] | 832 | 6 | 786 [3] | 792 |
| Performance share awards | – | 590 | 590 | – | 366 | 366 |
| Plus Bond awards [4] | | 37 | 37 | 187 | – | 187 |
| 2011 Partner Asset Facility awards [5] | – | 77 | 77 | – | 677 | 677 |
| Adjustable Performance Plan share awards | – | 31 | 31 | – | 74 | 74 |
| Adjustable Performance Plan cash awards | – | 4 | 4 | – | 286 | 286 |
| Restricted Cash Awards | – | 145 | 145 | – | 165 | 165 |
| Scaled Incentive Share Units | – | 41 | 41 | – | 97 | 97 |
| Incentive Share Units [6] | – | (3) | (3) | – | 62 | 62 |
| 2008 Partner Asset Facility awards [5] | – | 93 | 93 | – | 173 | 173 |
| Other cash awards | – | 434 | 434 | – | 362 | 362 |
| Discontinued operations | (6) | (21) | (27) | (44) | (23) | (67) |
| **Total variable incentive compensation expense** | **1,582** | **2,242** | **3,824** | **1,351** | **3,025** | **4,376** |
| **Other variable compensation expense (CHF million)** | | | | | | |
| Severance payments | 113 | – | 113 | 251 | – | 251 |
| Sign-on payments | 18 | – | 18 | 10 | – | 10 |
| Commissions | 198 | – | 198 | 157 | – | 157 |
| **Total other variable compensation expense** | **329** | **–** | **329** | **418** | **–** | **418** |
| **Total compensation expense (CHF million)** | | | | | | |
| **Total compensation expense** | **9,014** | **2,242** | **11,256** [7] | **9,278** | **3,025** | **12,303** [7] |

[1] Represents the Group's portion of employees' mandatory social security.
[2] Includes pension and other post-retirement expense of CHF 490 million and CHF 532 million in 2013 and 2012, respectively.
[3] Includes CHF 23 million and CHF 32 million of compensation expense associated with other share awards granted in 2013 and 2012, respectively.
[4] The Plus Bond awards granted to Investment Banking employees were fully vested and expensed on December 31, 2012. The Plus Bond awards provided to certain employees outside the Investment Banking division through a voluntary reallocation offer will vest on the third anniversary of the grant date in 2016 and will be expensed over the vesting period. Changes in the underlying fair value of the instruments may have an impact on deferred compensation expense in future periods.
[5] Includes the change in the underlying fair value of the indexed assets during the period.
[6] Includes forfeitures.
[7] Includes severance and other compensation expense relating to headcount reductions of CHF 218 million and CHF 456 million in 2013 and 2012, respectively.

**Group estimated unrecognized compensation expense**
The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2013 and prior years that were outstanding as of December 31, 2013, with comparative information for 2012. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

## Group estimated unrecognized compensation expense

| in | Deferred compensation | | **2013** | Deferred compensation | | 2012 |
|---|---|---|---|---|---|---|
| | For 2013 | For prior-year awards | **Total** | For 2012 | For prior-year awards | **Total** |
| **Estimated unrecognized compensation expense (CHF million)** | | | | | | |
| Share awards | 823 | 804 [1] | 1,627 | 935 | 706 [1] | 1,641 |
| Performance share awards | 660 | 221 | 881 | 677 | 161 | 838 |
| Contingent Capital Awards | 433 | – | 433 | – | – | – |
| Plus Bond awards [2] | – | 18 | 18 | 37 | – | 37 |
| Adjustable Performance Plan share awards | – | 11 | 11 | – | 42 | 42 |
| Adjustable Performance Plan cash awards | – | 13 | 13 | – | 54 | 54 |
| Restricted Cash Awards | – | 136 | 136 | 299 | – | 299 |
| Scaled Incentive Share Units | – | – | – | – | 73 | 73 |
| Other cash awards | 136 | 111 | 247 | 118 | 72 | 190 |
| **Estimated unrecognized compensation expense** | **2,052** | **1,314** | **3,366** | **2,066** | **1,108** | **3,174** |

1 Includes CHF 39 million and CHF 47 million of estimated unrecognized compensation expense associated with other share awards granted to new employees in 2013 and 2012, respectively, not related to prior years.
2 Represents share awards reallocated to Plus Bond awards through the employee voluntary reallocation offer, with vesting in 2016, after consideration of estimated future forfeitures.

▸ Refer to "Discontinued compensation plans" for descriptions of the awards granted in years prior to 2013 on page 203.

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

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

The practice of purchasing shares in the market was suspended in 2011 while the Group focused on meeting the increased regulatory capital requirements under the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations. Beginning in 2011, the Group started issuing new shares from conditional capital to settle outstanding share-based awards and in 2013 it issued 37.8 million shares to meet its share delivery obligations. With the attainment of its capital targets, the Group resumed in the second half of 2013 its policy of acquiring a portion of the necessary shares in the market. The Group envisages that the majority of such future obligations will be met through acquisitions in the market.

**Share-based awards outstanding**
At the end of 2013, there were 134.7 million share-based awards outstanding, including 72.9 million share awards, 41.4 million performance share awards, and 14.5 million Adjustable Performance Plan awards. The remaining balance consisted of other awards relating to prior years that are no longer part of current compensation plans.

The number of shares issued as of the end of 2013 was 1,596 million. Additionally, the Group had 550 million shares available to support contingent capital instruments, including 499 million shares relating to certain contingent capital notes convertible into equity that have already issued in the market. These instruments increase loss-absorbing regulatory capital without diluting shareholders' equity at the time of their issuance. The number of outstanding share-based awards represented 6.3% of shares both issued and potentially issuable in respect of contingent capital instruments as of the end of 2013. The Group intends to continue to use CCA in future years as part of its compensation program, partly in lieu of share-based awards. Over the next three years, this is expected to reduce the number of outstanding share-based awards. The extent of this reduction will depend on the size of future variable compensation pools, the amount of deferral and other key assumptions including the share price. However, the

Group's intention is to decrease the number of outstanding share-based awards to approximately 5% of shares issued and potentially issuable over the long term.

### Subsequent activity

In early 2014, the Group granted approximately 30.2 million new share awards and 24.2 million new performance share awards with respect to performance in 2013. In lieu of granting additional share awards in 2014, the Group awarded CHF 391 million of deferred variable compensation in the form of CCA (equivalent to approximately 13.6 million share-based awards, had they been granted).

In the first half of 2014, the Group plans to settle 54.5 million deferred awards from prior years, including 26.8 million share awards, 15.9 million performance share awards, 7.2 million Adjustable Performance Plan share awards, and 4.6 million other awards. The Group plans to meet this delivery obligation through market purchases and share issuances, including the issuance of 11 million shares from current conditional capital. At the Annual General Meeting (AGM) on May 9, 2014, the Board will propose to increase conditional capital by 30 million shares. It is the Group's intention that the newly created conditional capital should only be used to support the equity position of the Group in the event that the Look-through CET1 ratio appears likely to fall short of the Basel III capital requirements as implemented by the "Swiss Too Big to Fail" legislation.

▸ Refer to "Look-through CET1 ratio" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Capital metrics under Basel III for more information.

### Value changes of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market driven effects, such as changes in the Group share price, changes in the value of the underlying 2008 Partner Asset Facility (PAF), 2011 Partner Asset Facility (PAF2) and Plus Bond assets or foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by clawback provisions related to negative performance in the performance share awards, positive or negative performance for the Adjustable Performance Plan share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

▸ Refer to "Discontinued compensation plans" for further information on PAF, PAF2, Plus Bond and Adjustable Performance Plan awards.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2012 and 2013, respectively, indicating the value of changes due to implicit and explicit adjustments. For 2013, the change in fair value for all outstanding deferred compensation awards was primarily due to implicit adjustments driven by changes in the Group share price, foreign exchange rate movements and changes in the value of the underlying PAF and PAF2 assets during the period.

## Fair value of outstanding deferred compensation awards

| | | Change in value | | |
|---|---|---|---|---|
| in / end | 2012 | Implicit | Explicit | 2013 |
| **Share-based awards (CHF per unit)** | | | | |
| Scaled Incentive Share Units granted for 2009 | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2010 [1] | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2011 [2] | 22.3 | 5.0 | 0.0 | 27.3 |
| Share awards granted for 2012 [3] | 24.6 | 2.7 | 0.0 | 27.3 |
| Performance share awards granted for 2011 [2] | 22.3 | 5.0 | 0.0 | 27.3 |
| Performance share awards granted for 2012 [3] | 24.6 | 2.7 | 0.0 | 27.3 |
| Adjustable Performance Plan share awards | 23.3 | 5.0 | 1.9 | 30.2 |
| **Cash-based awards (CHF per unit)** | | | | |
| 2008 Partner Asset Facility awards (PAF) | 1.80 | 0.21 | 0.00 | 2.01 |
| Adjustable Performance Plan cash awards granted for 2010 | 1.06 | (0.09) | 0.08 | 1.05 |
| 2011 Partner Asset Facility awards (PAF2) | 0.90 | (0.05) | 0.00 | 0.85 |
| Plus Bond awards granted for 2012 | 1.00 | 0.02 | 0.00 | 1.02 |

[1] Represents awards granted in January 2011 for 2010.
[2] Represents awards granted in January 2012 for 2011.
[3] Represents awards granted in January 2013 for 2012.

## EXECUTIVE BOARD COMPENSATION

### Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board upon recommendation by the Compensation Committee. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members and the CEO based on actual performance compared to pre-defined individual objectives and targets.

### Basis of determining compensation for Executive Board members

For 2013, the Compensation Committee defined individual target levels of incentive compensation, expressed as a multiple of base salary, and individual caps limiting the total amount of compensation that can be awarded. The Compensation Committee also established quantitative and qualitative performance criteria for each Executive Board member, including the CEO, which were published in the 2012 Compensation Report.

In determining the compensation targets and caps, competitive market levels of compensation for each individual role, with reference to a group of peers, were taken into account. The market data on executive compensation levels was provided to the Compensation Committee by its compensation advisor, Johnson Associates.

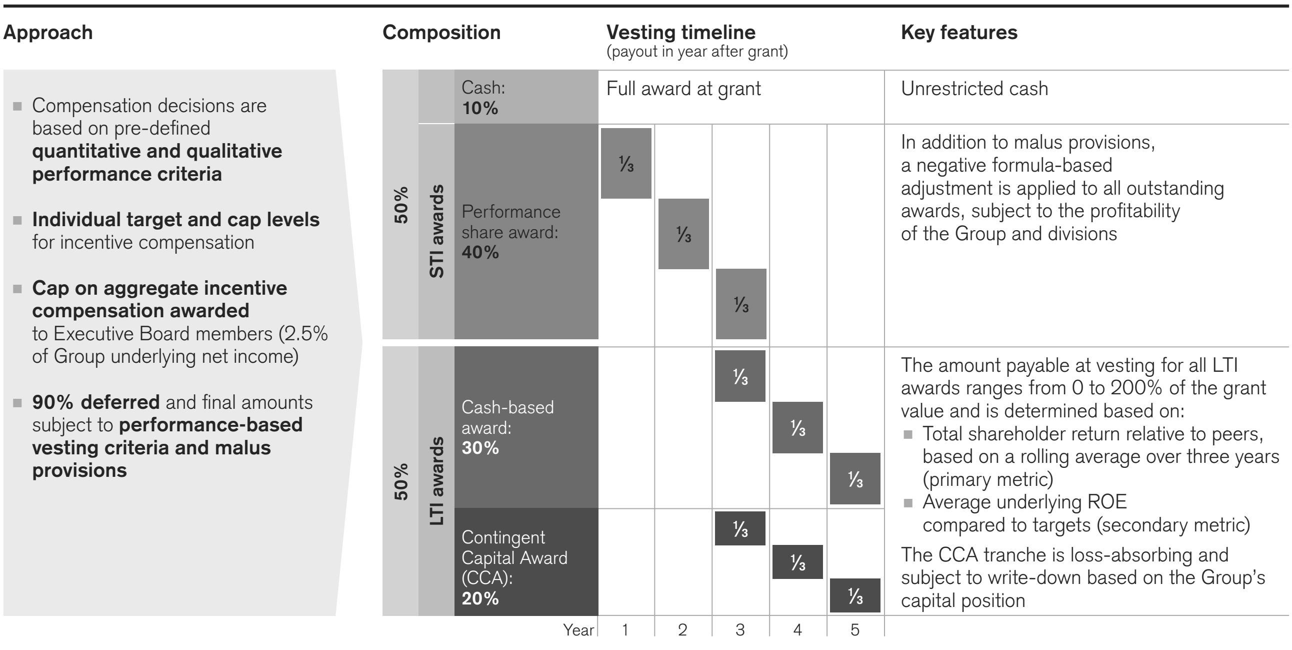
▸ Refer to "Competitive benchmarking" in Group compensation for a list of peer groups.

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

### Performance evaluation for 2013

In January 2014, the Compensation Committee completed its performance evaluation for the 2013 financial year for the Group and the individual assessments of the Executive Board members. The Compensation Committee compared the outcome of the financial measurements to the pre-defined targets for 2013 as set out in the 2012 Compensation Report and considered the qualitative assessment of each Executive Board member. This qualitative assessment took into account financial performance in areas that did not specifically form part of the pre-defined quantitative financial targets, as well as non-financial elements of performance at the Group and divisional levels.

## Key features of Executive Board compensation – 2013



### Group performance evaluation

For 2013, the Compensation Committee considered that underlying results would be the most appropriate reflection of the Group's operating results. Therefore, the underlying results were selected as the measure for evaluating the Executive Board's contribution to the Group's financial performance for compensation purposes. The primary difference between the Group's reported and underlying results for 2013 included the impact of charges to the income statement arising from changes in the fair value of the Group's debt which resulted from improvements in the Group's credit spreads, realignment costs and certain litigation provisions. Underlying results are non-GAAP financial measures and the tables beginning with "Underlying results" below provide a reconciliation of the Group and divisional underlying results to the most directly comparable US GAAP measures.

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

The Group's results in 2013 improved over the previous year, with underlying pre-tax income increasing to CHF 5.7 billion from CHF 5.0 billion in 2012. Notwithstanding this improvement, underlying ROE was 10.0% compared to the target of 11.0% in 2013, and compared to 10.4% in 2012, reflecting the Group's focus on a strengthened capital base. The Look-through CET1 ratio was 10.0% at the end of 2013 compared to 8.0% in 2012. The Group's underlying cost/income ratio for the full year 2013 was 76.9% compared to 79.5% in 2012, reflecting continued progress towards the target cost/income ratio of 70.0% with the implementation of cost-efficiency measures.

## Underlying results

| | Net revenues | | Total operating expenses | | Core pre-tax income | | Net income attributable to shareholders | |
|---|---|---|---|---|---|---|---|---|
| in | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Overview of significant items (CHF million)** | | | | | | | | |
| **Reported results** | **25,217** | **23,251** | **21,546** | **21,193** | **3,504** | **1,888** | **2,326** [1] | **1,349** [1] |
| **Cost/income ratio (%)** | – | – | – | – | **85.4** | **91.1** | – | – |
| **Reported return on equity attributable to shareholders (%)** | – | – | – | – | – | – | **5.7** | **3.9** |
| Reconciling items | | | | | | | | |
| Fair value losses/(gains) from movement in own credit spreads | 296 | 2,912 | (19) | (27) | 315 | 2,939 | 261 | 2,261 |
| Realignment costs | 0 | 15 | (394) | (665) | 394 | 680 | 290 | 477 |
| IT architecture simplification | 0 | 0 | (128) | 0 | 128 | 0 | 103 | 0 |
| Certain litigation provisions | 0 | 0 | (1,365) | (363) | 1,365 [2] | 363 [3] | 1,038 [2] | 230 [3] |
| Business disposals | 13 | (388) | 4 | 0 | 9 [4] | (388) [5] | (96) [4] | (336) [5] |
| Impairment and other losses | 86 | 68 | (12) | 0 | 98 [6] | 68 [7] | 63 [6] | 41 [7] |
| Gain on sale of real estate | (68) | (533) | 0 | 0 | (68) | (533) | (61) | (445) |
| UK deferred tax asset reduction [8] | 0 | 0 | 0 | 0 | 0 | 0 | 173 | 160 |
| **Underlying results** | **25,544** | **25,325** | **19,632** | **20,138** | **5,745** | **5,017** | **4,097** | **3,737** |
| **Underlying cost/income ratio (%)** | – | – | – | – | **76.9** | **79.5** | – | – |
| **Underlying return on equity attributable to shareholders (%)** | – | – | – | – | – | – | **10.0** | **10.4** |

1 The reclassification of the revenues and expenses from the segment results to discontinued operations for reporting at the Group level is effected through the Corporate Center. Refer to "Discontinued operations" in II – Operating and financial review – Credit Suisse for further information.

2 Includes i) litigation provisions in Investment Banking related to the March 2014 agreement with the Federal Housing Finance Agency (FHFA) to settle certain litigation relating to residential mortgage-backed securities (RMBS) of CHF 467 million (CHF 275 million after tax); ii) litigation provisions in Investment Banking in connection with certain mortgage-related matters of CHF 298 million (after tax CHF 176 million); and iii) litigation provisions in Private Banking & Wealth Management in connection with the US tax matter of CHF 600 million (CHF 587 million after tax), including CHF 175 million (CHF 162 million after tax) in connection with the settlement with the SEC in February 2014.

3 Includes i) litigation provisions related to National Century Financial Enterprises, Inc. of CHF 227 million (CHF 134 million after tax); and ii) significant Investment Banking litigation provisions of CHF 136 million (CHF 96 million after tax).

4 Includes i) net gain on the sale of Strategic Partners of CHF 79 million, net of expenses of CHF 12 million (CHF 35 million after tax); ii) expenses in connection with the sale of Customized Fund Investment Group (CFIG) of CHF 56 million (CHF 32 million after tax); iii) net gain on the sale of the Group's ETF business of CHF 135 million, net of expenses of CHF 11 million (CHF 114 million after tax); iv) net gains on private equity disposals of CHF 34 million, net of expenses of CHF 6 million (CHF 20 million after tax); v) loss on the sale of JO Hambro of CHF 53 million (CHF 38 million after tax); and vi) reclassifications to discontinued operations through the Corporate Center of CHF 144 million, net of expenses of CHF 93 million (CHF 108 million after tax) primarily related to the sale of the ETF business, Strategic Partners and CFIG.

5 Includes i) gain on the sale of the Group's ownership interest in Aberdeen Asset Management (Aberdeen) of CHF 384 million (CHF 326 million after tax); ii) gain on the sale of Wincasa of CHF 45 million (CHF 45 million after tax); iii) gain on the sale of a non-core business from the integration of Clariden Leu of CHF 41 million (CHF 37 million after tax); and iv) losses on private equity disposals of CHF 82 million (CHF 72 million after tax).

6 Includes i) impairment related to Asset Management Finance LLC (AMF) and other losses of CHF 86 million (CHF 51 million after tax); and ii) goodwill impairment relating to the set-up of Private Banking & Wealth Management's non-strategic unit of CHF 12 million (CHF 12 million after tax).

7 Reflects the impairment related to AMF and other losses.

8 Reflects the corporate income tax reduction enacted in the UK.

The Compensation Committee noted that the Group largely completed its capital plan announced in July 2012. The Group also reduced leverage exposure by CHF 275 billion compared to the third quarter of 2012, to CHF 1,130 billion as of 2013, which was below the original year-end target. In terms of improved operating efficiency, the Group achieved cost reductions of CHF 3.1 billion for the full year 2013, compared to the adjusted run rate cost base for the first half of 2011, measured at constant foreign exchange rates and adjusted to exclude business realignment and other significant non-operating expenses and current year variable compensation expense. The qualitative factors taken into consideration included the strong focus on, and maintenance of, the control environment, with a positive trend in Internal Audit results, a further improvement of supervisory control ratings and careful risk management in accordance with the Board's risk appetite policy. The Compensation Committee also considered the developments in the area of human capital, which saw an increase in internal hiring and management development across functional areas, and continued progress in diversity and inclusion. In respect of Corporate Citizenship, new initiatives were implemented in the areas of employee engagement in volunteering events, global education and micro-finance capacity building.

## Underlying results – Private Banking & Wealth Management

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

[1] The gains and expenses related to the business disposals are included in the segment's non-strategic results. Refer to "Discontinued operations" in II – Operating and financial review – Credit Suisse for further information.
[2] Reflects litigation provisions in connection with the US tax matter, including CHF 175 million in connection with the settlement with the SEC.
[3] Includes i) net gain on the sale of Strategic Partners of CHF 79 million, net of expenses of CHF 12 million; ii) expenses in connection with the sale of CFIG of CHF 56 million; iii) net gain on the sale of the Group's ETF business of CHF 135 million, net of expenses of CHF 11 million; iv) gain on private equity disposals of CHF 34 million, net of expenses of CHF 6 million; and v) net gain on the sale of JO Hambro of CHF 28 million.
[4] Includes i) gain on the sale of the Group's ownership interest in Aberdeen of CHF 384 million; ii) gain on the sale of Wincasa of CHF 45 million; iii) gain on the sale of a non-core business from the integration of Clariden Leu of CHF 41 million; and iv) losses on private equity disposals of CHF 82 million.
[5] Includes i) impairment related to AMF and other losses of CHF 86 million; and ii) goodwill impairment relating to the set-up of Private Banking & Wealth Management's non-strategic unit of CHF 12 million.
[6] Reflects the impairment of AMF and other losses.

## Underlying results – Investment Banking

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

[1] Includes i) litigation provisions related to the March 2014 FHFA settlement of CHF 467 million (CHF 275 million after tax); and ii) litigation provisions in connection with certain mortgage-related matters of CHF 298 million (after tax CHF 176 million).
[2] Reflects the significant Investment Banking litigation provisions.
[3] Calculated using underlying income after tax denominated in US dollars and assumes tax rates of 27% in 2013 and 25% in 2012 and that capital is allocated at 10% of average Basel III risk-weighted assets and 2.4% of average Swiss leverage exposure.

### Divisional performance evaluation

In Private Banking & Wealth Management, the Compensation Committee acknowledged improvement in the key financial indicators relevant to the division. Underlying pre-tax income for 2013 was CHF 3.7 billion compared to CHF 3.5 billion in 2012, and the underlying cost/income ratio improved to 70.7% compared to the target of 70.0%, from 72.4% in 2012, reflecting stronger cost efficiency discipline. With regard to the qualitative assessment, the Compensation Committee considered the continued strong asset gathering momentum ahead of most peers for net new assets in targeted markets, particularly in emerging markets and the ultra-high-net-worth individual client business. It also noted the successful restructuring and improved profitability of the Asset Management business, which mainly reflected the continued focus on alternative investment strategies, including emerging markets, and core investments, both in asset allocation and traditional products.

In Investment Banking, the Compensation Committee recognized the improvement in its key financial indicators, with underlying pre-tax income of CHF 2.5 billion for the full year 2013 compared to CHF 2.1 billion in 2012, and an underlying return on allocated capital of 9.8% compared to the target of 11.0% and compared to 7.7% achieved in 2012. For the purposes of determining compensation, the performance criteria of underlying return on allocated capital is measured as the after-tax return on capital calculated as the average of 10% of Basel III risk-weighted assets and 2.4% of leverage exposure. With regards to the qualitative assessment, the Compensation Committee noted the successful alignment of the business model to new market and regulatory requirements, the strong market share maintained by the Equities business and the significant turnaround in profitability of the Asia Pacific region. In addition, Investment Banking risk-weighted assets under Basel III were reduced from USD 187 billion at year-end 2012 to USD 176 billion at year-end 2013, compared to the target level of less than USD 175 billion by year-end 2013.

For Shared Services functions, the Compensation Committee acknowledged the robust control and support environment combined with cost discipline compared to budget and efficiency gains, while transitioning the business to new regulatory requirements.

## 2013 targets and caps for Executive Board members

| | Target levels | | Cap levels | |
|---|---|---|---|---|
| | Range for Executive Board members | CEO | Range for Executive Board members | CEO |
| **Multiples of base salaries** | | | | |
| **Short-term awards** | | | | |
| Unrestricted cash | 0.2 – 0.4 | 0.3 | 0.3 – 0.7 | 0.4 |
| Short-term incentive award | 0.6 – 1.7 | 1.1 | 1.2 – 2.9 | 1.6 |
| **Long-term incentive award** | 0.8 – 2.1 | 1.3 | 1.5 – 3.5 | 2.0 |

## Executive Board compensation for 2013

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million, except where indicated)** | | | | | | | | |
| 9 members | 14.08 | 3.93 | 21.86 [5] | 21.58 | 0.58 | 2.74 | – | **64.77** |
| % of total compensation | 22% | 6% | 34% | 33% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.69 | 2.77 | 3.46 | 0.01 | 0.36 | – | **9.79** |
| % of total compensation | 26% | 7% | 28% | 35% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses and child allowances.
2 Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in a combination of cash and shares, consistent with dividends paid on actual shares.
3 During 2013, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 4.8 million of charitable contributions made by the Group for which the CEO and three other Executive Board members are able to make recommendations.
5 Short-term incentive awards for 2013 comprise CHF 20.56 million performance shares as well as CHF 1.3 million granted as blocked shares and performance shares to the Executive Board members who were categorized as UK Code Staff under the regulations of the PRA and the Executive Board member that stepped down. The applicable Group share price for all share awards was CHF 28.78.

### Compensation decisions

Based on this evaluation of the Group, divisional and individual performance, the Board agreed with the Compensation Committee's conclusion that overall, the Executive Board members had exceeded their challenging performance targets for 2013 and approved the Compensation Committee's recommendations on the amount of incentive compensation to be awarded. The quantitative financial assessment resulted in the grant of awards averaging 12% below the target amounts for these components of compensation, while compensation linked to the qualitative assessment of the Executive Board members was, on average, 37% above the target amounts. On average, the variable compensation amounts as determined from the formulaic assessment were adjusted upward by approximately 10%. In applying its discretion to adjust the amount of variable incentive compensation awarded to individual Executive Board members, the Compensation Committee recognized specific achievements in reaching targeted capital levels ahead of schedule, strong relative performance compared to peers, an improved level of control and compliance and adjustments to take into account market levels of compensation for comparable roles at peer firms.

The variable incentive compensation awarded totaled CHF 47.4 million, CHF 2.5 million or 5% lower than the CHF 49.9 million in 2012, partly due to the reduction in the number of Executive Board members and resultant reassignment of previously separate executive responsibilities to other Executive Board members. Variable incentive compensation awarded to the Executive Board was, on average, 17% above the individual target amounts and 31% below the individual caps. The aggregate pool awarded to all members of the Executive Board was less than half the amount of the overall cap set at CHF 102.4 million, or 2.5% of Group underlying net income. The components of the awards granted are shown in the "Executive Board compensation for 2013" table.

**2013 total compensation of the CEO and highest paid Executive Board member**

In its recommendation to the Board regarding incentive compensation for the CEO Mr. Dougan, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered the improved financial position of the Group in 2013. This was reflected in underlying pre-tax income of CHF 5.7 billion, compared to CHF 5.0 billion in the prior year, and an underlying cost/income ratio of 76.9% in 2013 compared to 79.5% in 2012. The Compensation Committee considered the achievement of capital requirement targets and the progress made in transitioning the business to the challenging new regulatory and market environment. In particular under Mr. Dougan's leadership, the Group strengthened its capital position, increasing its Look-through CET1 ratio of 10.0% as of the end of 2013, from 8.0% in 2012. Further, the Group reduced its leverage exposure to CHF 1,130 billion as of the end of 2013, from CHF 1,276 billion as of the end of 2012, and achieved a Look-through Swiss leverage ratio of 3.7%, compared to the FINMA requirement of 4.0% applicable in 2019. The Compensation Committee also recognized the steady progress made towards meeting the Group's challenging target of achieving more than CHF 4.5 billion in cost reductions by year-end 2015. In terms of strategy execution, the Compensation Committee noted the creation of non-strategic units within the business divisions, to accelerate the shift of resources to focus on growth in high-returning businesses. Given the strong performance of Mr. Dougan during 2013 and his achievements in positioning the firm for the future, the Board approved the recommendation of the Compensation Committee to award Mr. Dougan unrestricted cash of CHF 0.69 million, a short-term incentive (STI) award of CHF 2.77 million and a long-term incentive (LTI) award of CHF 3.46 million, representing, in aggregate, 103% of his target compensation set for 2013.

## Executive Board compensation for 2012

| in | Base salary | Unrestricted cash | Value of STI awards | Value of LTI awards | Pension and similar benefits and other benefits [1] | Dividend equivalents [2] | Payments and awards due to contractual agreements [3] | **Total compensation** [4] |
|---|---|---|---|---|---|---|---|---|
| **2012 (CHF million, except where indicated)** | | | | | | | | |
| 13 members [5] | 17.75 | 13.56 [6] | 20.95 [7] | 15.40 | 4.28 | 2.18 | – | **74.12** |
| % of total compensation | 24% | 18% | 28% | 21% | | | | |
| of which highest paid: Robert Shafir | 1.40 | 0.70 | 3.50 | 2.80 | 1.91 [8] | 0.28 | – | **10.59** |
| % of total compensation | 13% | 7% | 33% | 26% | | | | |
| of which CEO: Brady W. Dougan | 2.50 | 0.50 | 2.50 | 2.00 | 0.04 | 0.23 | – | **7.77** |
| % of total compensation | 32% | 6% | 32% | 26% | | | | |

1 Other benefits consist of housing allowances, lump sum expenses, child allowances and carried interest.
2 Share awards carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years.
3 During 2012, there were no payments made to Executive Board members for contractual agreements.
4 Does not include CHF 3.9 million of charitable contributions made by the Group for which the CEO and a former Executive Board member are able to make recommendations.
5 Of the 13 members, 5 left the Executive Board during 2012: Karl Landert and Antonio Quintella stepped down from the Executive Board effective April 30, 2012 and May 31, 2012, respectively, and Osama Abbasi, Walter Berchtold and Fawzi Kyriakos-Saad left the Executive Board effective November 30, 2012. The base salary and incentive compensation for these individuals has been pro rated accordingly. These individuals were paid incentive compensation in the form of unrestricted cash and STI awards for their performance in their respective roles on the Executive Board in 2012.
6 Includes pro rated unrestricted cash of CHF 10.2 million paid to the five individuals who left the Executive Board during 2012.
7 All short-term incentive awards for 2012 were granted as performance shares. The applicable Group share price for the performance share awards was CHF 24.62.
8 CHF 1.87 million of this amount was granted as carried interest in 2012. In addition, in connection with his role at the time as CEO of the Asset Management division, in 2008 Mr. Shafir received a carried interest award in certain alternative investment funds. The value realized over time depends on the investment performance of the funds over their lifetime up to fifteen years. The initial value of the award is determined by making assumptions about the return that will be realized on the funds. The aggregate theoretical value of these awards was approximately USD 10 million assuming an estimated 9 percent return on all fund investments over their projected lifetime, and reducing this estimated return by 25 percent to reflect potential underperformance in some of the funds.

**2013 compensation structure**

The annual 2013 base salary was CHF 2.5 million for the CEO, CHF 1.5 million for Executive Board members based in Switzerland and USD 1.5 million for Executive Board members based in the US and the UK, which remained unchanged from the prior year.

In 2013, the incentive compensation granted to each Executive Board member generally consisted of:

- 10% as unrestricted cash payment;
- 40% as STI awards in the form of a deferred performance share award; and
- 50% as LTI awards in the form of deferred cash and CCA.

An overview of the vesting timeline for the Executive Board short-term and long-term award plans is shown in the chart "Key features of Executive Board compensation – 2013". These awards are described in more detail below.

In 2013, three Executive Board members were categorized as UK Code Staff and were therefore subject to the UK Prudential Regulation Authority (PRA) Remuneration Code requirements to have at least 50% of variable compensation awarded in the form of equity instruments. Two of the current members were awarded 50% of their variable compensation as STI awards, 40% as LTI awards, 5% as cash and 5% as vested Group shares that were subject to a six-month holding period.

The third member, Tobias Guldimann, stepped down from the Executive Board and his position as Chief Risk Officer (CRO) effective December 31, 2013 and was replaced by Joachim Oechslin, effective January 1, 2014. Mr. Guldimann was awarded variable compensation in respect of 2013, however as he was no longer a member of the Executive Board at the time of grant, the form of variable compensation awarded to him was consistent with the PRA Code Staff requirements applicable to managing directors.

**Types of awards**

All deferred Executive Board compensation awards are subject to malus provisions as well as the additional provisions that apply to Covered Employees. In addition, there are performance-based clawback provisions for the STI award and specific performance targets for the LTI award.

▸ Refer to "Malus and performance-based clawback provisions" in Group compensation for more information.

**Unrestricted cash**

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

**Short-term incentive (STI) award**

STI awards are granted in the form of performance share awards, which are deferred over three years with one third of the award vesting on each of the three anniversaries of the grant date (ratable vesting), subject to the same performance conditions as the performance share awards granted to managing directors and MRTC.

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

More specifically, for the heads of the divisions reporting a pre-tax loss, the full balance of unvested STI awards are reduced by 15% per CHF 1 billion of loss and the calculation of the reduction is performed on a pro-rata basis, based on the actual loss amount.

In the case of both a negative underlying ROE and a divisional pre-tax loss, the negative adjustment applied will be equal to the negative underlying ROE, or 15% per CHF 1 billion of pre-tax loss, whichever results in a larger adjustment.

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

The final number of STI awards delivered to Executive Board members is subject to the occurrence of malus and clawback events during the vesting periods. There are, however, no circumstances under which the outstanding STI awards are increased.

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

**Long-term incentive (LTI) award**

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

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

RTSR is the Group's total shareholder return compared to the average total shareholder return of peers. Total shareholder return is equal to the appreciation or depreciation of a particular share, plus any dividends, over a given three-year period, expressed as a percentage of the share's value at the beginning of the three-year measurement period. The peer group used for the RTSR calculation is the same group of twelve peer firms shown in the "2013 peer groups and performance criteria" table. The RTSR achievement level can increase or decrease the amount scheduled to vest on a sliding scale basis and is subject to a cap as follows:

- Achievement of average RTSR of 150% (where the Group RTSR is 50% greater than that of the peer group) or greater results in a maximum upward adjustment of 100% (cap);
- Achievement of average RTSR of 100% (where the Group RTSR is the same as that of the peer group) results in an LTI payout that equals the grant value (no upward or downward adjustment);
- Achievement of RTSR of 50% (where the Group RTSR falls 50% below that of the peer group) or below results in the forfeiture of the respective LTI awards (downward adjustment of 100%); and
- Achievement of average RTSR between 50% and 150% of that of the peer group results in an upward or downward

adjustment between negative 100% and positive 100%, applied on a sliding scale basis.

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

For 2013, 60% of the LTI (or 30% of total variable incentive compensation) was structured as a deferred cash award. The Group retains the right to settle the cash portion of the LTI awards in shares at its discretion. In such a case, the amount of shares delivered in the year of vesting is based on the Group share price at the time of settlement.

For 2013, 40% of the LTI (or 20% of total variable incentive compensation) was delivered as CCA. This element of the LTI has the same terms as CCA awarded to managing directors and directors, except for the vesting and performance metrics, which are the same as those applicable to cash-based LTI awards described above. LTI awards granted as CCA entitle recipients to semi-annual cash payments of interest-equivalents until settlement, but would be written down to zero if the CCA trigger events described above occur. At the time of settlement, the Group, at its discretion, may deliver a contingent capital instrument or a cash payment based on the fair value of the CCA.

### Other aspects of Executive Board compensation

#### Charitable contributions

Consistent with the prior three years, a portion of the Executive Board incentive compensation pool for 2013 was approved by the Compensation Committee to fund charitable contributions by the Group. The total amount approved for charitable contributions was CHF 4.8 million for 2013. The contributions will benefit eligible registered charities. The CEO and three other Executive Board members are able to make recommendations in respect of the allocation of the 2013 contributions to various specific charities.

#### Minimum share ownership requirements

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

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

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

#### Amendment to share plans

The terms of all past and future share-based awards granted to the Executive Board were amended in 2014 to enable election of settlement in cash or shares. The amendments permit Executive Board members to elect once a year, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if the Group share price falls by more than 25% between election and settlement. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population. This change does not affect deferred share-based awards to non-Executive Board members, which will continue to be settled in the form of Group shares.

#### Contract lengths, change in control and termination provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for payments or benefits in connection with termination of employment that are not generally available to other employees of the Group. For example, in the event of a termination of employment, pre-defined conditions apply to the balances of outstanding compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control.

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

### Former Executive Board members

Generally, former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Executive Board who no longer provide services to the Group during 2013.

## Executive Board shareholdings and loans

### Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest, as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2013.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2013 was on average 4% higher than at the grant date value of the awards.

The remaining cash-based deferred compensation awards granted to certain Executive Board members in prior years are the 2008 Partner Asset Facility (PAF), the 2011 Partner Asset Facility (PAF2) and the Plus Bond awards. The cumulative value of such cash-based awards at their grant dates was CHF 16.7 million compared to CHF 30.5 million as of December 31, 2013. The value of these awards varies depending upon the value of the underlying portfolios linked to the PAF, PAF2 and Plus Bond awards and the length of the remaining deferral period.

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

| end of | Number of owned shares [1] | Number of unvested share awards | Number of owned shares and unvested share awards | Number of unvested SISUs | Number of options | Value of unvested awards at grant (CHF) | Current value of unvested awards (CHF) |
|---|---|---|---|---|---|---|---|
| **December 31, 2013** | | | | | | | |
| Brady W. Dougan | 1,221,334 | 416,540 | 1,637,874 | 38,051 | – | 12,176,651 | 12,396,697 |
| Gaël de Boissard | 107,329 | 536,014 | 643,343 | 31,283 | – | 16,187,272 | 15,470,189 |
| Romeo Cerutti | 136,344 | 231,491 | 367,835 | 11,636 | – | 6,128,891 | 6,630,073 |
| Tobias Guldimann | – | 258,127 | 258,127 | 14,545 | – | 6,907,523 | 7,435,765 |
| David R. Mathers | 17,469 | 387,642 | 405,111 | 7,565 | – | 9,422,493 | 10,777,295 |
| Hans-Ulrich Meister | 189,478 | 417,112 | 606,590 | 23,273 | – | 11,248,886 | 12,009,299 |
| Robert S. Shafir | 617,053 | 532,112 | 1,149,165 | 31,160 | – | 14,344,561 | 15,360,428 |
| Pamela A. Thomas-Graham | – | 216,875 | 216,875 | 7,191 | – | 5,461,314 | 6,110,280 |
| Eric M. Varvel | – | 286,098 | 286,098 | 27,735 | – | 9,597,358 | 8,558,226 |
| **Total** | **2,289,007** | **3,282,011** | **5,571,018** | **192,439** | **–** | **91,474,949** | **94,748,252** |
| **December 31, 2012** | | | | | | | |
| Brady W. Dougan | 906,929 | 666,068 | 1,572,997 | 76,102 | – | 18,945,613 | 19,815,939 |
| Romeo Cerutti | 80,279 | 320,261 | 400,540 | 23,272 | – | 8,446,679 | 9,172,331 |
| Tobias Guldimann | 57,763 | 375,725 | 433,488 | 29,090 | – | 9,964,935 | 10,808,561 |
| David R. Mathers | 0 | 461,439 | 461,439 | 15,130 | 1,095 [2] | 11,174,895 | 12,724,392 |
| Hans-Ulrich Meister | 178,198 | 550,776 | 728,974 | 46,546 | – | 14,848,594 | 15,948,497 |
| Robert S. Shafir | 387,544 | 736,377 | 1,123,921 | 62,320 | – | 19,807,159 | 21,325,210 |
| Pamela A. Thomas-Graham | 4,583 | 239,137 | 243,720 | 14,382 | – | 6,342,875 | 6,768,957 |
| Eric M. Varvel | 62,169 | 454,785 | 516,954 | 55,470 | – | 13,996,715 | 13,623,809 |
| **Total** | **1,677,465** [3] | **3,804,568** | **5,482,033** | **322,312** | **1,095** | **103,527,465** | **110,187,696** |

[1] Includes shares that were initially granted as deferred compensation and have vested.
[2] Consists of options with an expiration date of January 22, 2013 and an exercise price of CHF 30.60.
[3] In addition to the number of owned shares shown, the following Executive Board members held an aggregate number of 2,320 mandatory and contingent convertible securities (MACCS): Brady Dougan (1,336), Romeo Cerutti (60), Hans-Ulrich Meister (262), Robert Shafir (571), Eric Varvel (91); these securities were converted into an aggregate number of 143,033 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.

### Executive Board loans

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. As of December 31, 2013, 2012 and 2011, outstanding loans to Executive Board members amounted to CHF 10 million, CHF 8 million and CHF 22 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2013 was three and four, respectively, and the highest loan outstanding was USD 5 million to Eric Varvel.

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

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

### 2014 targets, caps and performance criteria

The targets, caps and performance criteria to be applied in 2014 are based on the framework and approach introduced for the 2013 performance year. The overall targets and caps expressed as multiples of base salaries for 2014 remain the same as for 2013, however the composition of the awards has been modified for 2014, as shown in the table "2014 targets and caps for Executive Board members" and described further below.

In early 2014, the Compensation Committee also refined the criteria applicable to the 2014 performance review to reflect broader measurements of performance. The criteria for 2014 encompass the achievement of profitability and cost targets, as well as progress towards the wind-down of non-strategic positions in light of the current operating environment. The progress of the wind-down of non-strategic units will be measured based on the achievement of reduction targets for risk-weighted assets and leverage exposure, as well as the attainment of non-strategic pre-tax income targets. The Compensation Committee has introduced further measures relating to the execution of the Group's strategy, development of the business, delivery of major infrastructure projects and other specific performance measures for each individual. These performance criteria and the respective weightings to be applied in relation to the CEO and other members of the Executive Board appear in the table "2014 performance criteria for the Executive Board". The overall cap on total Executive Board incentive compensation in 2014 will be 2.5% of adjusted Group net income, based on reported results adjusted for fair value losses or gains from movement in own credit spreads and certain litigation provisions as determined by the Compensation Committee.

## 2014 targets and caps for Executive Board members

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

## 2014 performance criteria for the Executive Board

| | CEO | Divisional head | | Shared Services head | | Performance objectives to meet target |
|---|---|---|---|---|---|---|
| | | PB&WM | IB | CFO | Other | |
| **Financial performance criteria (60% weighting)** | | | | | | |
| Group ROE (after tax) – strategic results [1] | 30% | 30% | 30% | 25% | 25% | 12.5% Group ROE based on strategic results |
| Group cost/income ratio – strategic results [1] | 20% | – | – | 15% | 20% | 71.0% Group cost/income based on strategic results |
| Wind-down of non-strategic units [2] | 10% | 10% | 10% | 10% | – | 35.0% year-on-year reduction of risk-weighted assets and leverage exposure (2.5% weighting for each metric) and achievement of budgeted non-strategic pre-tax income (5% weighting) [3, 4] |
| Divisional return on allocated capital [5, 6] | – | – | 20% | – | – | 11.5% return on allocated capital |
| Divisional cost/income ratio [5] | – | 20% | – | – | – | 69.0% divisional cost/income |
| Divisional total operating expenses [5] | – | – | – | 10% | 15% | 2014 budget expenses on a foreign exchange neutral basis |
| **Non-financial criteria (40% weighting)** | | | | | | |
| Business and infrastructure development | 15% | 15% | 15% | 15% | 15% | Compensation Committee assessment of strategy execution, business development, performance of subdivisions and regions and delivery of major projects |
| Other performance | 25% | 25% | 25% | 25% | 25% | Compensation Committee assessment of capital strength, human capital management, control/operational/reputational risk management, involvement in client activities, partnership and firm focused behavior |

PB&WM – Private Banking & Wealth Management; IB – Investment Banking

[1] Refer to "Core Results" in II – Operating and financial review for further information on strategic results.
[2] Performance measured at the Group level for the CEO and the CFO and at the respective divisional non-strategic unit level for the divisional heads.
[3] Risk-weighted assets are adjusted to exclude methodology changes.
[4] Budgeted non-strategic pre-tax income is based on reported results, excluding the impact of changes in the fair value of own debt and certain substantial litigation provisions as determined by the Compensation Committee.
[5] Based on reported results, excluding certain substantial litigation provisions as determined by the Compensation Committee.
[6] Calculated using income after tax denominated in US dollars, assuming that allocated capital is measured as the average of 10% of average Basel III risk-weighted assets and 2.4% of average leverage exposure.

## Key features of Executive Board compensation – 2014

**Refinements in 2014**

- **Additional financial performance criteria** related to the wind-down of non-strategic units
- **Additional non-financial performance criteria** related to strategy execution, business development and project delivery
- Short-term incentive (STI) awards to **cliff vest after three years** (previously ratable vesting over three years)
- Long-term incentive (LTI) awards delivered partly as **share-based awards rather than cash**

| Composition | | | Vesting timeline (payout in year after grant) | | | | | Key features |
|---|---|---|---|---|---|---|---|---|
| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | |
| 50% | STI awards | Cash: **20%** | Full award at grant | | | | | Unrestricted cash, except for UK Code Staff, who will receive 10% in unrestricted cash and 10% in blocked share awards |
| | | Performance share award: **30%** | | | Full award cliff vested | | | In addition to malus provisions, a negative formula-based adjustment is applied to all outstanding awards, subject to the profitability of the Group and divisions |
| 50% | LTI awards | Share-based award: **25%** | | | ⅓ | ⅓ | ⅓ | The amount payable at vesting for all LTI awards ranges from 0 to 200% of the grant value and will be determined based on relative total shareholder return (primary metric) and average ROE based on strategic results[1] (secondary metric) |
| | | Contingent Capital Award (CCA): **25%** | | | ⅓ | ⅓ | ⅓ | The CCA tranche is loss-absorbing and subject to write-down based on the Group's capital position |

[1] Subject to adjustments for significant litigation items as determined by the Compensation Committee.

**2014 compensation structure**

The annual base salary in 2014 will be CHF 2.5 million for the CEO, CHF 1.5 million for Executive Board members based in Switzerland and USD 1.5 million for Executive Board members based in the US and the UK, which is unchanged from the prior year. As of December 31, 2013, two of the Executive Board members qualify as UK Code Staff for 2014 and will therefore, in accordance with the rules introduced by CRD IV, be subject to the relevant variable award compensation caps applicable to UK Code Staff. Consistent with market practice in the UK, the Group intends to award these individuals a fixed allowance during 2014 based on their roles and responsibilities. The targets and caps on total compensation will not be affected by this fixed allowance.

In 2014, slight amendments to the structure of incentive compensation have been made compared to 2013. The variable compensation granted to each Executive Board member will consist of:

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

The above changes to the compensation structure for 2014 extend the vesting period for the short-term deferred awards, reflecting the Compensation Committee's responsiveness to emerging market trends. Under the 2014 structure, no awards will vest before the third anniversary of the date of grant and the final vesting of awards will occur five years after the date of grant. In addition, the long-term incentive award will be delivered in a combination of shares and CCA, rather than cash and CCA. As a result, the portion of deferred share-based awards will be increased to 55%.

## BOARD OF DIRECTORS COMPENSATION

### Governance

Compensation to members of the Board is determined by the Articles of Association, OGR and the Compensation Committee Charter. The annual compensation paid to members of the Board, including the Chairman, is set by the Board based on the recommendation of the Compensation Committee for the 12-month period from the current AGM to the following year's AGM. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the decision involving his or her own compensation.

### Basis of determining compensation for the Board

All members of the Board receive a base board fee plus a committee fee or other additional fee that reflects the respective Board member's role, time commitment and scope of responsibility on the Board. The full-time Chairman, the Vice-Chairman and the three committee chairmen assume the greatest responsibility and dedicate the most time to fulfilling their board duties. As such, these individuals receive a higher annual base board fee than other board members and may receive additional fees which reflect the additional time commitment and responsibility assumed for their specific role. Members of the Board without designated leadership responsibilities (eight individuals) each received an annual base board fee for 2013 of CHF 250,000. Board members serving on the Audit, Risk or Compensation Committees also received an annual committee fee. The committee fees were CHF 150,000 for the Audit Committee, CHF 100,000 for the Risk Committee and CHF 100,000 for the Compensation Committee. Members of the Chairman's and Governance Committee do not receive a committee fee. The base and committee fee amounts are set at levels to attract and retain highly qualified and experienced individuals and take into consideration levels at comparable leading Swiss companies.

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

### Compensation of the Chairman

The Chairman is paid a base board fee plus an additional fee. The additional fee is paid in consideration of the Chairman's performance with respect to his Board responsibilities and is not linked to the Group's financial performance. Total compensation awarded to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs and engaging with shareholders. The Chairman coordinates the Board's activities, works with the committee chairmen to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Chairman's and Governance Committee and the shareholder meetings and takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other stakeholders.

For 2013, Chairman Urs Rohner received total compensation of CHF 4.9 million, which consisted of CHF 4.75 million from board fees (CHF 2.5 million base board fee and CHF 2.25 million additional fee) and CHF 0.15 million in other compensation. Of the CHF 4.75 million, CHF 3.6 million was awarded in cash and CHF 1.1 million was awarded in Group shares, blocked for a period of four years. The Chairman's total compensation for 2013 reflected the improved strategic and capital position of the Group and Mr. Rohner's performance. This included Mr. Rohner's leadership of the Board, his impact in closely steering and monitoring the strategic development of the Group, the transition to the challenging new capital requirements, the alignment of business structure and organization to emerging regulatory requirements, as well as his active engagement with key stakeholders and regulators and representation of the Group in a variety of industry associations.

### Compensation of the Vice-Chairman and the committee chairmen

Peter Brabeck-Letmathe, in the role of Vice-Chairman, received an annual base board fee of CHF 400,000 but no committee or additional fees. Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, received an annual base board fee for 2013 of CHF 400,000 plus an additional fee, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. This additional fee is not linked to the Group's financial performance. For 2013, the additional fee was CHF 400,000 for the chairman of the Compensation Committee and CHF 1 million each for the chairmen of the Risk and Audit Committees. The compensation for Jean Lanier takes into account that he began serving as chairman of the Compensation Committee following last year's AGM. In addition to the greater time commitment required to prepare and lead the committee work, the additional fees consider the engagement of the three committee chairmen throughout the year with global regulators, shareholders, the business divisions and Shared Services functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee chairmen, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Furthermore, the greater focus of shareholders on compensation has resulted in an increased number of engagements between the Compensation Committee chairman and large shareholders and shareholder groups. The additional fees paid to the Compensation, Risk and Audit Committee chairmen also reflected the additional time commitment required to serve as regular members on other Board committees, which they do not chair.

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

### Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2013.

## Board compensation for 2013

| in | Base board fee | Committee fee | Additional fees [1] | Other compensation categories [2] | **Total compensation** | Awarded in cash | % of total compensation | Awarded in Group shares | % of total compensation | Number of Group shares [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2013/2014 (CHF)** | | | | | | | | | | |
| Urs Rohner, Chairman [4] | 2,500,000 | – | 2,250,000 | 153,260 | 4,903,260 | 3,778,260 | 77% | 1,125,000 | 23% | 39,090 |
| Peter Brabeck-Letmathe, Vice-Chairman [5] | 400,000 | – | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 7,455 |
| Jassim Bin Hamad J.J. Al Thani [5] | 250,000 | – | – | – | 250,000 | 125,000 | 50% | 125,000 | 50% | 4,659 |
| Iris Bohnet [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 6,523 |
| Noreen Doyle [5] | 250,000 | 100,000 | 294,000 | – | 644,000 | 469,000 | 73% | 175,000 | 27% | 6,523 |
| Jean-Daniel Gerber [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 7,455 |
| Walter B. Kielholz [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 6,523 |
| Andreas N. Koopmann [5] | 250,000 | 200,000 | – | – | 450,000 | 225,000 | 50% | 225,000 | 50% | 8,387 |
| Jean Lanier, Chairman of the Compensation Committee [4] | 400,000 | – | 400,000 | – | 800,000 | 600,000 | 75% | 200,000 | 25% | 6,950 |
| Kai S. Nargolwala [5] | 250,000 | 100,000 | – | | 350,000 | 175,000 | 50% | 175,000 | 50% | 6,523 |
| Anton van Rossum [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 6,523 |
| Richard E. Thornburgh, Chairman of the Risk Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 17,374 |
| John Tiner, Chairman of the Audit Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 17,374 |
| **Total** | **6,100,000** | **850,000** | **4,944,000** | **153,260** | **12,047,260** | **8,097,260** | **67%** | **3,950,000** | **33%** | **141,359** |

1 Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees of CHF 294,000 (GBP 200,000) paid to Noreen Doyle in 2013 as a non-executive director and chair of the boards of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 400,000 were awarded to Jean Lanier as Chairman of the Compensation Committee in 2013, a role to which he was appointed as of the 2013 AGM on April 26, 2013.

2 Other compensation for the Chairman included pension benefits, lump sum expenses and child and health care allowances.

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

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

5 Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2013 to May 9, 2014. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2013, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2013 AGM was CHF 26.83.

## Board compensation for 2012

| in | Base board fee | Committee fee | Additional fees [1] | Other compensation categories [2] | **Total compensation** | Awarded in cash | % of total compensation | Awarded in Group shares | % of total compensation | Number of Group shares [3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012/2013 (CHF)** | | | | | | | | | | |
| Urs Rohner, Chairman [4] | 2,500,000 | – | 2,500,000 | 234,881 | 5,234,881 | 3,984,881 | 76% | 1,250,000 | 24% | 50,772 |
| Peter Brabeck-Letmathe, Vice-Chairman [5] | 400,000 | – | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Jassim Bin Hamad J.J. Al Thani [5] | 250,000 | – | – | – | 250,000 | 125,000 | 50% | 125,000 | 50% | 5,641 |
| Robert H. Benmosche [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Iris Bohnet [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Noreen Doyle [5] | 250,000 | 100,000 | 182,600 | – | 532,600 | 357,600 | 67% | 175,000 | 33% | 7,898 |
| Jean-Daniel Gerber [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Walter B. Kielholz [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Andreas N. Koopmann [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Jean Lanier [5] | 250,000 | 250,000 | – | – | 500,000 | 250,000 | 50% | 250,000 | 50% | 11,282 |
| Anton van Rossum [5] | 250,000 | 100,000 | – | – | 350,000 | 175,000 | 50% | 175,000 | 50% | 7,898 |
| Aziz R.D. Syriani, Chairman of the Compensation Committee [4] | 350,000 | – | 400,000 | – | 750,000 | 522,500 | 70% | 227,500 | 30% | 9,241 |
| David W. Syz [5] | 250,000 | 150,000 | – | – | 400,000 | 200,000 | 50% | 200,000 | 50% | 9,026 |
| Richard E. Thornburgh, Chairman of the Risk Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| John Tiner, Chairman of the Audit Committee [4] | 400,000 | – | 1,000,000 | – | 1,400,000 | 900,000 | 64% | 500,000 | 36% | 20,309 |
| **Total** | **6,550,000** | **1,150,000** | **5,082,600** | **234,881** | **13,017,481** | **8,514,981** | **65%** | **4,502,500** | **35%** | **192,020** |

1 Includes the additional fees for the full-time Chairman and the three committee chairmen as well as the additional fees paid to Noreen Doyle in 2012 as a non-executive director of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities Europe Limited. The additional fees of CHF 182,600 for Noreen Doyle corresponded to the annual fees of GBP 125,000 which Noreen Doyle received in 2012 as a non-executive director (annual fee of GBP 100,000) and audit committee chair (additional fee of GBP 25,000) of Credit Suisse International and Credit Suisse Securities Europe Limited.

2 Other compensation for the Chairman included lump sum expenses, child and health care allowances and pension benefits.

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

4 The Chairman and the three committee chairmen received an annual base board fee paid in cash. They also received additional fees paid in cash and/or share awards as determined by the Board in the course of the regular compensation process. The additional fees awarded to these four individuals for 2012 were paid in Group shares (50%) and cash (50%). The applicable Group share price was CHF 24.62.

5 Except for the Chairman and the three committee chairmen, members of the Board were paid an annual base board fee and a committee fee for their respective committee membership in advance for the period from one AGM to the other, i.e., from April 26, 2012 to April 27, 2013. The annual committee fees are CHF 150,000 for the Audit Committee and CHF 100,000 for each of the Risk and Compensation Committees. For 2012, these total combined fees were paid in Group shares (50%) and cash (50%). The applicable Group share price as of the 2012 annual general meeting was CHF 22.16.

## Board shareholdings and loans

### Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2013, there were no Board members with outstanding options.

### Board shareholdings by individual

| in | 2013 | 2012 |
| --- | --- | --- |
| **December 31 (shares)** [1] | | |
| Urs Rohner | 230,402 | 244,422 |
| Peter Brabeck-Letmathe | 144,186 | 120,999 |
| Jassim Bin Hamad J.J. Al Thani | 17,918 | 11,790 |
| Iris Bohnet | 15,464 | 7,898 |
| Noreen Doyle | 49,014 | 41,324 |
| Jean-Daniel Gerber | 17,701 | 9,826 |
| Walter B. Kielholz | 316,675 | 292,424 |
| Andreas N. Koopmann | 42,569 | 30,469 |
| Jean Lanier | 44,951 | 43,881 |
| Kai S. Nargolwala | 114,666 | – |
| Anton van Rossum | 56,464 | 48,598 |
| Richard E. Thornburgh | 212,530 | 218,456 |
| John Tiner | 48,471 | 24,799 |
| **Total** | **1,311,011** | **1,094,886** [2, 3] |

[1] Includes Group shares that are subject to a blocking period of up to four years.

[2] In addition to the shareholdings shown, the following Board members held an aggregate number of 1,519 mandatory and contingent convertible securities (MACCS): Urs Rohner (395), Peter Brabeck-Letmathe (175), Jassim Bin Hamad J.J. Al Thani (17), Iris Bohnet (11), Walter Kielholz (431), Andreas Koopmann (44), Aziz R.D. Syriani (113), Richard Thornburgh (297) and John Tiner (36); these securities were converted into an aggregate number of 93,247 shares on March 29, 2013 at a conversion price of CHF 16.29 and were settled and delivered in April 2013.

[3] Excludes 30,872, 76,774 and 92,745 shares held by Robert H. Benmosche, Aziz R.D. Syriani and David W. Syz, respectively, as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

### Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. As of December 31, 2013, 2012 and 2011, outstanding loans to Board members amounted to CHF 55 million, CHF 41 million and CHF 34 million, respectively.

Board members with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Board members who were previously employees of the Group may still have outstanding loans, which were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the US Securities and Exchange Commission (SEC). Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2013, 2012 and 2011, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

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

### Board loans by individual

| in | 2013 | 2012 |
| --- | --- | --- |
| **December 31 (CHF)** | | |
| Urs Rohner | 4,968,270 | 5,034,157 |
| Peter Brabeck-Letmathe | 40,631,650 | 27,520,527 |
| Walter B. Kielholz | 4,000,000 | 4,200,000 |
| Andreas N. Koopmann | 4,933,650 | 2,775,000 |
| Richard E. Thornburgh | 222,756 | – |
| **Total** [1] | **54,756,326** | **39,529,684** [2] |

[1] Includes loans to immediate family members.

[2] Excludes a loan of CHF 1,500,000 held by David W. Syz as of December 31, 2012, who stepped down from the Board as of April 26, 2013.

## DISCONTINUED COMPENSATION PLANS

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

### Principal outstanding deferred variable compensation plans

#### Restricted Cash Awards

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

#### Plus Bond awards

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

#### 2011 Partner Asset Facility (PAF2)

- Basis: cash-based;
- Vesting start: 2012;
- Vesting end: March 31, 2012;
- Applied to: performance in 2011, which included managing directors and directors and certain members of the Executive Board;
- General award conditions: the contractual term of a PAF award is four years, but it may be extended to nine years at the election of either the Group or the holders acting collectively. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded;
- Other award conditions or restrictions: PAF2 holders will receive a semi-annual cash interest payment equivalent to an annual return of 5% per annum (Swiss franc-denominated awards) or 6.5% per annum (US dollar-denominated awards) applied to the then current balance of the units. PAF2 holders are subject to a non-compete/non-solicit provision;
- Program objective/rationale: providing employees with a fixed income strategy while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency;
- Subsequent activity: PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility: participants elect for their award to be referenced to a Capital Opportunity Facility (COF). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by the COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates (4.51% per annum over the six-month Swiss franc LIBOR or 5.07% per annum

over the six-month US dollar LIBOR). Settlement is expected to occur in February 2016, subject to regulatory approvals.

▸ Refer to Contingent Capital Awards (CCA) in Group compensation for further information.

**Adjustable Performance Plan awards**

- Basis: cash and share-based;
- Vesting start: 2011;
- Vesting end: 2015;
- Applied to: performance in 2010, which included the Executive Board, managing directors and directors;
- General award conditions: Adjustable Performance Plan awards link awards to future performance through positive and negative adjustments. Vesting ratably over a four-year period;
- Other award conditions or restrictions: for revenue-generating employees in the divisions, Adjustable Performance Plan awards are linked to the financial performance of the specific business areas in which the employees work and the Group reported ROE. For employees in Shared Services and other support functions and all Executive Board members, the awards are linked to the Group's adjusted profit or loss and the Group reported ROE;
- Program objective/rationale: promoting retention of Executive Board members, managing directors and directors.

**Scaled Incentive Share Unit (SISU)**

- Basis: share-based;
- Vesting start: 2010;
- Vesting end: 2014;
- Applied to: performance in 2009, which included half of the variable compensation awarded to all managing directors and directors across all divisions and Shared Services;
- General award conditions: vesting ratably over a four-year period;
- Other award conditions or restrictions: an SISU is similar to other share-based awards, but offers additional upside depending on the development of the Group share price and the Group reported ROE;
- Program objective/rationale: promoting retention of managing directors and directors.

**2008 Partner Asset Facility (PAF)**

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

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

## APPENDIX 5 — OUR FINANCIAL STATEMENTS EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2013

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Consolidated financial statements — Credit Suisse (Bank)" from pages 373 to 460 of the Credit Suisse annual report 2013 in this appendix 5. References to page numbers in this appendix 5 are to the pages in the Credit Suisse annual report 2013 and not to the pages in this document.

For further information on our financial statements (including the notes to such statements), we refer you to the complete Credit Suisse annual report 2013 on our website at *www.credit-suisse.com*.

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

**Credit Suisse AG, Zurich**

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As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse AG and subsidiaries (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes for each of the years in the three-year period ended December 31, 2013.

*Board of Directors' Responsibility*
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the consolidated financial statements give a true and fair view of the financial position as of December 31, 2013 and 2012, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2013, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

KPMG

**Report on Other Legal and Regulatory Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) (Switzerland) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 3, 2014 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

# Consolidated financial statements

## Consolidated statements of operations

| | Reference to notes | 2013 | 2012 | in 2011 |
|---|---|---|---|---|
| **Consolidated statements of operations (CHF million)** | | | | |
| Interest and dividend income | 6 | 19,021 | 21,544 | 22,411 |
| Interest expense | 6 | (11,306) | (14,734) | (16,404) |
| Net interest income | 6 | 7,715 | 6,810 | 6,007 |
| Commissions and fees | 7 | 13,058 | 12,549 | 12,360 |
| Trading revenues | 8 | 2,764 | 1,329 | 4,741 |
| Other revenues | 9 | 1,793 | 2,490 | 1,745 |
| **Net revenues** | | **25,330** | **23,178** | **24,853** |
| **Provision for credit losses** | 10 | **93** | **88** | **123** |
| Compensation and benefits | 11 | 11,187 | 12,219 | 12,976 |
| General and administrative expenses | 12 | 8,654 | 7,204 | 7,328 |
| Commission expenses | | 1,726 | 1,685 | 1,915 |
| Total other operating expenses | | 10,380 | 8,889 | 9,243 |
| **Total operating expenses** | | **21,567** | **21,108** | **22,219** |
| **Income from continuing operations before taxes** | | **3,670** | **1,982** | **2,511** |
| Income tax expense | 26 | 1,177 | 447 | 444 |
| **Income from continuing operations** | | **2,493** | **1,535** | **2,067** |
| Income/(loss) from discontinued operations, net of tax | 4 | 145 | (40) | (25) |
| **Net income** | | **2,638** | **1,495** | **2,042** |
| Net income/(loss) attributable to noncontrolling interests | | 860 | (600) | 901 |
| **Net income/(loss) attributable to shareholder** | | **1,778** | **2,095** | **1,141** |
| of which from continuing operations | | 1,633 | 2,135 | 1,166 |
| of which from discontinued operations | | 145 | (40) | (25) |

## Consolidated statements of comprehensive income

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Comprehensive income (CHF million)** | | | |
| Net income | 2,638 | 1,495 | 2,042 |
| Gains/(losses) on cash flow hedges | 2 | 7 | (32) |
| Foreign currency translation | (2,215) | (1,233) | (293) |
| Unrealized gains/(losses) on securities | (18) | (43) | (3) |
| Actuarial gains/(losses) | (43) | 58 | 142 |
| Net prior service credit/(cost) | 0 | (1) | (1) |
| Other comprehensive income/(loss), net of tax | (2,274) | (1,212) | (187) |
| **Comprehensive income** | **364** | **283** | **1,855** |
| **Comprehensive income/(loss) attributable to noncontrolling interests** | **824** | **(811)** | **940** |
| **Comprehensive income attributable to shareholder** | **(460)** | **1,094** | **915** |

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

## Consolidated balance sheets

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Assets (CHF million)** | | | |
| Cash and due from banks | | 68,077 | 61,376 |
| of which reported at fair value | | 527 | 569 |
| of which reported from consolidated VIEs | | 952 | 1,750 |
| Interest-bearing deposits with banks | | 3,385 | 3,719 |
| of which reported at fair value | | 311 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 13 | 160,013 | 183,446 |
| of which reported at fair value | | 96,587 | 113,664 |
| of which reported from consolidated VIEs | | 1,959 | 117 |
| Securities received as collateral, at fair value | | 22,800 | 30,045 |
| of which encumbered | | 17,964 | 17,767 |
| Trading assets, at fair value | 14 | 229,736 | 256,602 |
| of which encumbered | | 72,976 | 70,948 |
| of which reported from consolidated VIEs | | 3,610 | 4,697 |
| Investment securities | 15 | 1,627 | 1,939 |
| of which reported at fair value | | 1,627 | 1,939 |
| of which reported from consolidated VIEs | | 100 | 23 |
| Other investments | 16 | 10,207 | 11,816 |
| of which reported at fair value | | 7,590 | 8,892 |
| of which reported from consolidated VIEs | | 1,983 | 2,289 |
| Net loans | 17 | 231,157 | 227,498 |
| of which reported at fair value | | 19,457 | 20,000 |
| of which encumbered | | 638 | 535 |
| of which reported from consolidated VIEs | | 4,207 | 6,053 |
| allowance for loan losses | | (691) | (721) |
| Premises and equipment | 18 | 4,895 | 5,416 |
| of which reported from consolidated VIEs | | 481 | 546 |
| Goodwill | 19 | 7,121 | 7,510 |
| Other intangible assets | 20 | 210 | 243 |
| of which reported at fair value | | 42 | 43 |
| Brokerage receivables | | 52,044 | 45,768 |
| Other assets | 21 | 61,556 | 72,782 |
| of which reported at fair value | | 31,518 | 37,259 |
| of which encumbered | | 722 | 1,495 |
| of which reported from consolidated VIEs | | 14,329 | 14,508 |
| Assets of discontinued operations held-for-sale | | 1,584 | – |
| **Total assets** | | **854,412** | **908,160** |

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

## Consolidated balance sheets (continued)

| | Reference to notes | 2013 | end of 2012 |
|---|---|---|---|
| **Liabilities and equity (CHF million)** | | | |
| Due to banks | 22 | 23,147 | 30,574 |
| of which reported at fair value | | 1,460 | 3,431 |
| Customer deposits | 22 | 321,851 | 297,690 |
| of which reported at fair value | | 3,241 | 4,626 |
| of which reported from consolidated VIEs | | 265 | 247 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 13 | 94,032 | 132,721 |
| of which reported at fair value | | 76,104 | 108,784 |
| Obligation to return securities received as collateral, at fair value | | 22,800 | 30,045 |
| Trading liabilities, at fair value | 14 | 76,812 | 91,091 |
| of which reported from consolidated VIEs | | 93 | 125 |
| Short-term borrowings | | 20,193 | 14,838 |
| of which reported at fair value | | 6,053 | 4,513 |
| of which reported from consolidated VIEs | | 4,286 | 5,779 |
| Long-term debt | 23 | 126,641 | 146,997 |
| of which reported at fair value | | 61,853 | 64,774 |
| of which reported from consolidated VIEs | | 12,992 | 14,532 |
| Brokerage payables | | 73,154 | 64,676 |
| Other liabilities | 21 | 51,079 | 57,367 |
| of which reported at fair value | | 21,971 | 26,799 |
| of which reported from consolidated VIEs | | 710 | 1,164 |
| Liabilities of discontinued operations held-for-sale | | 1,140 | – |
| **Total liabilities** | | **810,849** | **865,999** |
| Common shares / participation securities | | 4,400 | 4,400 |
| Additional paid-in capital | | 34,617 | 28,686 |
| Retained earnings | | 15,169 | 13,637 |
| Accumulated other comprehensive income/(loss) | 24 | (14,194) | (11,956) |
| **Total shareholder's equity** | | **39,992** | **34,767** |
| Noncontrolling interests | | 3,571 | 7,394 |
| **Total equity** | | **43,563** | **42,161** |
| **Total liabilities and equity** | | **854,412** | **908,160** |

| end of | 2013 | 2012 |
|---|---|---|
| **Additional share information** | | |
| Par value (CHF) | 1.00 | 100.00 |
| Issued shares | 4,399,665,200 | 43,996,652 |
| Shares outstanding | 4,399,665,200 | 43,996,652 |

The Bank's total share capital is fully paid and consists of 4,399,665,200 and 43,996,652 registered shares as of December 31, 2013 and 2012, respectively. The increase in the number of shares reflects the split of the par value per share from CHF 100 to CHF 1 effective November 19, 2013. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

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

## Consolidated statements of changes in equity

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participation securities | Additional paid-in capital | Retained earnings | Treasury shares, at cost [1] | Accumulated other comprehensive income | **Total shareholder's equity** | Non-controlling interests | **Total equity** |
| **2013 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **28,686** | **13,637** | **0** | **(11,956)** | **34,767** | **7,394** | **42,161** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | – | – | – | – | – | (22) | (22) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership [2, 3] | – | – | – | – | – | – | (5,060) | (5,060) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership [3] | – | – | – | – | – | – | 693 | 693 |
| Net income/(loss) | – | – | 1,778 | – | – | 1,778 | 872 [4] | 2,650 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (2,238) | (2,238) | (36) | (2,274) |
| Share-based compensation, net of tax | – | 196 [5] | – | – | – | 196 | – | 196 |
| Dividends on share-based compensation, net of tax | – | (87) | – | – | – | (87) | – | (87) |
| Dividends paid | – | – | (246) | – | – | (246) | (59) | (305) |
| Changes in redeemable noncontrolling interests | – | (13) | – | – | – | (13) | – | (13) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (211) | (211) |
| Other | – | 5,835 [6] | – | – | – | 5,835 | – | 5,835 |
| **Balance at end of period** | **4,400** | **34,617** | **15,169** | **0** | **(14,194)** | **39,992** | **3,571** | **43,563** |
| **2012 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **24,134** | **11,824** | **0** | **(10,955)** | **29,403** | **8,948** | **38,351** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | 252 | – | – | – | 252 | (90) | 162 |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (875) | (875) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 240 | 240 |
| Net income/(loss) | – | – | 2,095 | – | – | 2,095 | (589) | 1,506 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (1,001) | (1,001) | (211) | (1,212) |
| Share-based compensation, net of tax | – | 889 | – | – | – | 889 | – | 889 |
| Dividends on share-based compensation, net of tax | – | (50) | – | – | – | (50) | – | (50) |
| Dividends paid | – | – | (267) | – | – | (267) | (54) | (321) |
| Changes in redeemable noncontrolling interests | – | (7) | – | – | – | (7) | – | (7) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | 25 | 25 |
| Other | – | 3,468 | (15) | – | – | 3,453 | – | 3,453 |
| **Balance at end of period** | **4,400** | **28,686** | **13,637** | **0** | **(11,956)** | **34,767** | **7,394** | **42,161** |

[1] Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.
[2] Distributions to owners in funds include the return of original capital invested and any related dividends.
[3] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[4] Net income attributable to noncontrolling interests excludes CHF (12) million due to redeemable noncontrolling interests.
[5] Includes a net tax charge of CHF 24 million from the excess recognized compensation expense over fair value of shares delivered.
[6] Includes a contribution in kind of preferred shares in Credit Suisse Holdings (USA), Inc. from Credit Suisse Group AG to Credit Suisse AG and a capital contribution from Credit Suisse Group AG to Credit Suisse AG.

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

## Consolidated statements of changes in equity (continued)

| | Attributable to shareholder | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common shares/ participa- tion secu- rities | Additional paid-in capital | Retained earnings | Treasury shares, at cost | Accumu- lated other compre- hensive income | **Total share- holder's equity** | Non- controlling interests | **Total equity** |
| **2011 (CHF million)** | | | | | | | | |
| **Balance at beginning of period** | **4,400** | **24,993** | **11,105** | **0** | **(10,729)** | **29,769** | **11,381** | **41,150** |
| Purchase of subsidiary shares from non-controlling interests, changing ownership | – | (5) | – | – | – | (5) | 4 | (1) |
| Purchase of subsidiary shares from non-controlling interests, not changing ownership | – | – | – | – | – | – | (3,369) | (3,369) |
| Sale of subsidiary shares to noncontrolling interests, not changing ownership | – | – | – | – | – | – | 544 | 544 |
| Net income/(loss) | – | – | 1,141 | – | – | 1,141 | 852 | 1,993 |
| Total other comprehensive income/(loss), net of tax | – | – | – | – | (226) | (226) | 39 | (187) |
| Issuance of common shares | – | (2) | – | – | – | (2) | – | (2) |
| Sale of treasury shares | – | 3 | – | 612 | – | 615 | – | 615 |
| Repurchase of treasury shares | – | – | – | (612) | – | (612) | – | (612) |
| Share-based compensation, net of tax | – | (145) | – | – | – | (145) | (2) | (147) |
| Dividends on share-based compensation, net of tax | – | (85) | – | – | – | (85) | – | (85) |
| Dividends paid | – | – | (422) | – | – | (422) | (59) | (481) |
| Changes in redeemable noncontrolling interests | – | (625) | – | – | – | (625) | (140) | (765) |
| Changes in scope of consolidation, net | – | – | – | – | – | – | (302) | (302) |
| **Balance at end of period** | **4,400** | **24,134** | **11,824** | **0** | **(10,955)** | **29,403** | **8,948** | **38,351** |

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

## Consolidated statements of cash flows

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operating activities of continuing operations (CHF million)** | | | |
| **Net income** | **2,638** | **1,495** | **2,042** |
| (Income)/loss from discontinued operations, net of tax | (145) | 40 | 25 |
| **Income from continuing operations** | **2,493** | **1,535** | **2,067** |
| **Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)** | | | |
| Impairment, depreciation and amortization | 1,337 | 1,264 | 1,181 |
| Provision for credit losses | 93 | 88 | 123 |
| Deferred tax provision/(benefit) | 668 | (180) | 39 |
| Share of net income/(loss) from equity method investments | 33 | 35 | (41) |
| Trading assets and liabilities, net | 10,443 | (14,033) | 38,728 |
| (Increase)/decrease in other assets | (3,249) | (1,122) | (7,724) |
| Increase/(decrease) in other liabilities | 10,126 | (4,214) | 5,645 |
| Other, net | 94 | 4,644 | (2,923) |
| Total adjustments | 19,545 | (13,518) | 35,028 |
| **Net cash provided by/(used in) operating activities of continuing operations** | **22,038** | **(11,983)** | **37,095** |
| **Investing activities of continuing operations (CHF million)** | | | |
| (Increase)/decrease in interest-bearing deposits with banks | 443 | 315 | (1,020) |
| (Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 17,120 | 46,933 | (14,681) |
| Purchase of investment securities | (676) | (276) | (1,232) |
| Proceeds from sale of investment securities | 176 | 936 | 2,118 |
| Maturities of investment securities | 673 | 1,442 | 2,294 |
| Investments in subsidiaries and other investments | (1,338) | (1,947) | (1,410) |
| Proceeds from sale of other investments | 3,165 | 2,918 | 6,324 |
| (Increase)/decrease in loans | (7,850) | (10,251) | (14,813) |
| Proceeds from sales of loans | 1,483 | 1,090 | 689 |
| Capital expenditures for premises and equipment and other intangible assets | (895) | (1,227) | (1,727) |
| Proceeds from sale of premises and equipment and other intangible assets | 9 | 26 | 11 |
| Other, net | 115 | 3,676 | 189 |
| **Net cash provided by/(used in) investing activities of continuing operations** | **12,425** | **43,635** | **(23,258)** |

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

## Consolidated statements of cash flows (continued)

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Financing activities of continuing operations (CHF million)** | | | |
| Increase/(decrease) in due to banks and customer deposits | 22,347 | (14,454) | 27,429 |
| Increase/(decrease) in short-term borrowings | 6,002 | (11,643) | 4,098 |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (36,347) | (39,958) | 7,182 |
| Issuances of long-term debt | 37,914 | 37,217 | 33,650 |
| Repayments of long-term debt | (56,312) | (54,465) | (36,591) |
| Issuances of common shares | 0 | 0 | (2) |
| Sale of treasury shares | 0 | 0 | 615 |
| Repurchase of treasury shares | 0 | 0 | (612) |
| Dividends paid | (305) | (321) | (481) |
| Excess tax benefits related to share-based compensation | 0 | 42 | 0 |
| Other, net | 1,181 | 3,603 | (2,779) |
| **Net cash provided by/(used in) financing activities of continuing operations** | **(25,520)** | **(79,979)** | **32,509** |
| **Effect of exchange rate changes on cash and due from banks (CHF million)** | | | |
| **Effect of exchange rate changes on cash and due from banks** | **(1,215)** | **(1,175)** | **(691)** |
| **Net cash provided by/(used in) discontinued operations (CHF million)** | | | |
| **Net cash provided by/(used in) discontinued operations** | **(1,027)** | **(346)** | **222** |
| **Net increase/(decrease) in cash and due from banks (CHF million)** | | | |
| **Net increase/(decrease) in cash and due from banks** | **6,701** | **(49,848)** | **45,877** |
| Cash and due from banks at beginning of period | 61,376 | 111,224 | 65,347 |
| **Cash and due from banks at end of period** | **68,077** | **61,376** | **111,224** |

## Supplemental cash flow information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Cash paid for income taxes and interest (CHF million)** | | | |
| Cash paid for income taxes | 769 | 962 | 1,038 |
| Cash paid for interest | 11,686 | 14,881 | 17,100 |
| **Assets acquired and liabilities assumed in business acquisitions (CHF million)** | | | |
| Fair value of assets acquired | 4 | 2,418 | 0 |
| Fair value of liabilities assumed | 0 | 2,418 | 0 |
| **Assets and liabilities sold in business divestitures (CHF million)** | | | |
| Assets sold | 338 | 0 | 0 |
| Liabilities sold | 162 | 0 | 0 |

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

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), a Swiss bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation which had no impact on net income/(loss) or total shareholder's equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

▸ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

**Pensions and other post-retirement benefits**

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

**Own shares, own bonds and financial instruments on Group shares**

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.

## 2 Recently issued accounting standards

▸ Refer to "Note 2 – Recently issued accounting standards" in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank's and Group's financial position, results of operations or cash flows was or is expected to be identical.

## 3 Business developments and subsequent events

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 4 Discontinued operations

In July 2013, the Bank completed the sale of its exchange-traded funds (ETF) business to BlackRock and recognized a pre-tax gain on disposal of CHF 146 million in the third quarter of 2013 net of allocated goodwill of CHF 72 million. The sale price received by the Bank may increase through future contingent payments, if specified thresholds are met. BlackRock is a company unrelated to the Bank.

In August 2013, the Bank announced the sale of Customized Fund Investment Group (CFIG), its private equity fund of funds and co-investment business, to Grosvenor Capital Management. This transaction was completed in January 2014 and related gains of approximately CHF 90 million will be recognized in the first quarter of 2014. As of December 31, 2013, CFIG had total assets of CHF 31 million that were held-for-sale. The Bank will continue to hold investments in, and have unfunded commitments to, investment funds managed by CFIG. Grosvenor Capital Management is a company unrelated to the Bank.

In August 2013, the Bank completed the sale of Strategic Partners, its dedicated secondary private equity business, to Blackstone and recognized a pre-tax gain on disposal of CHF 91 million in the third quarter of 2013 net of allocated goodwill of CHF 37 million. The Bank will continue to receive carried interest from (and guarantee related claw-back obligations), hold limited partner interests in, and have unfunded commitments to, investment funds managed by Strategic Partners. The Bank will also continue to guarantee minimum investment returns to certain third-party investors under existing side letter agreements. Blackstone is a company unrelated to the Bank.

In December 2013, the Bank completed the spin-off of DLJ Investment Partners, a dedicated private equity mezzanine investment business of the Bank, to Portfolio Advisors, LLC with no gain or loss from disposal and insignificant impact on net revenues, operating expenses and net income/(loss) from discontinued operations for any of the periods reported. Portfolio Advisors, LLC is a company unrelated to the Bank.

In December 2013, the Bank announced the sale of its domestic private banking business booked in Germany (German private banking business) to ABN AMRO. This transaction is subject to customary closing conditions and is expected to close in the course of 2014. As of December 31, 2013, the German private banking business had total assets and liabilities of CHF 1,553 million and CHF 1,140 million, respectively, that were held-for-sale. ABN AMRO is a company unrelated to the Bank.

▸ Refer to "Note 4 – Discontinued operations" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Assets held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Cash | 960 |
| Loans | 575 |
| Other assets | 18 |
| **Total assets held-for-sale** | **1,553** |
| **CFIG (CHF million)** | |
| Fees receivable | 8 |
| Goodwill | 23 |
| **Total assets held-for-sale** | **31** |
| **Bank (CHF million)** | |
| **Total assets held-for-sale** | **1,584** |

### Liabilities held-for-sale

| end of | 2013 |
|---|---|
| **German private banking business (CHF million)** | |
| Deposits | 1,118 |
| Other liabilities | 22 |
| **Total liabilities held-for-sale** | **1,140** |
| **Bank (CHF million)** | |
| **Total liabilities held-for-sale** | **1,140** |

## Income/(loss) from discontinued operations

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operations-related (CHF million)** | | | |
| **Net revenues** | **233** | **288** | **284** |
| of which German private banking business | 52 | 54 | 61 |
| of which ETF business | 29 | 53 | 36 |
| of which Strategic Partners | 33 | 60 | 42 |
| of which CFIG | 114 | 116 | 127 |
| Operating expenses | 158 | 296 | 294 |
| of which German private banking business | 71 | 108 | 98 |
| of which ETF business | 23 | 49 | 50 |
| of which Strategic Partners | 8 | 38 | 30 |
| of which CFIG | 51 | 88 | 98 |
| Income tax expense/(benefit) | 38 | 32 | 15 |
| of which German private banking business | (6) | 2 | (11) |
| of which ETF business | 5 | 2 | (2) |
| of which Strategic Partners | 10 | 15 | 7 |
| of which CFIG | 29 | 16 | 21 |
| **Income/(loss), net of tax** | **37** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 1 | 2 | (12) |
| of which Strategic Partners | 15 | 7 | 5 |
| of which CFIG | 34 | 12 | 8 |
| **Transaction-related (CHF million)** | | | |
| **Gain on disposal** | **237** | **–** | **–** |
| of which ETF business | 146 | – | – |
| of which Strategic Partners | 91 | – | – |
| Transaction-related expenses | 93 | – | – |
| of which ETF business | 11 | – | – |
| of which Strategic Partners | 22 | – | – |
| of which CFIG | 56 | – | – |
| Income tax expense/(benefit) | 36 | – | – |
| of which ETF business | 21 | – | – |
| of which Strategic Partners | 40 | – | – |
| of which CFIG | (24) | – | – |
| **Income/(loss), net of tax** | **108** | **–** | **–** |
| of which ETF business | 114 | – | – |
| of which Strategic Partners | 29 | – | – |
| of which CFIG | (32) | – | – |
| **Discontinued operations – total (CHF million)** | | | |
| **Income/(loss) from discontinued operations, net of tax** | **145** | **(40)** | **(25)** |
| of which German private banking business | (13) | (56) | (26) |
| of which ETF business | 115 | 2 | (12) |
| of which Strategic Partners | 44 | 7 | 5 |
| of which CFIG | 2 | 12 | 8 |

## 5 Segment information

For the purposes of the presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Private Banking & Wealth Management. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2013, 2012 and 2011 was CHF 243 million, CHF 237 million and CHF 259 million, respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 659 million, CHF 684 million and CHF 707 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2013 and 2012, were CHF 25.4 billion and CHF 25.8 billion, respectively.

▸ Refer to "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Net revenues and income/(loss) from continuing operations before taxes

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Private Banking & Wealth Management | 13,442 | 13,474 | 13,397 |
| Investment Banking | 12,565 | 12,558 | 10,460 |
| Adjustments [1, 2] | (677) | (2,854) | 996 |
| **Net revenues** | **25,330** | **23,178** | **24,853** |
| **Income/(loss) before taxes (CHF million)** | | | |
| Private Banking & Wealth Management | 3,240 | 3,775 | 2,961 |
| Investment Banking | 1,719 | 2,002 | (593) |
| Adjustments [1, 3] | (1,289) | (3,795) | 143 |
| **Income before taxes** | **3,670** | **1,982** | **2,511** |

1 Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.
2 Includes noncontrolling interest-related revenues of CHF 682 million, CHF 365 million and CHF 900 million in 2013, 2012 and 2011, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such revenues.
3 Includes noncontrolling interest income of CHF 635 million, CHF 307 million and CHF 816 million in 2013, 2012 and 2011, respectively, from the consolidation of certain private equity funds and other entities in which the Bank does not have a significant economic interest in such income.

### Total assets

| end of | 2013 | 2012 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Private Banking & Wealth Management | 279,139 | 275,683 |
| Investment Banking | 502,799 | 563,758 |
| Adjustments [1] | 72,474 | 68,719 |
| **Total assets** | **854,412** | **908,160** |

Beginning in the first quarter of 2013, segment assets exclude intra-group balances between the segments. Prior period has been reclassified to conform to the current presentation.
1 Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

### Net revenues and income/(loss) from continuing operations before taxes by geographic location

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net revenues (CHF million)** | | | |
| Switzerland | 7,479 | 7,968 | 7,754 |
| EMEA | 4,797 | 3,444 | 6,389 |
| Americas | 10,847 | 9,942 | 9,011 |
| Asia Pacific | 2,207 | 1,824 | 1,699 |
| **Net revenues** | **25,330** | **23,178** | **24,853** |
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 300 | 1,170 | (176) |
| EMEA | 195 | (1,374) | 1,312 |
| Americas | 3,317 | 3,023 | 2,330 |
| Asia Pacific | (142) | (837) | (955) |
| **Income from continuing operations before taxes** | **3,670** | **1,982** | **2,511** |

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

### Total assets by geographic location

| end of | 2013 | 2012 |
|---|---|---|
| **Total assets (CHF million)** | | |
| Switzerland | 181,584 | 183,735 |
| EMEA | 194,825 | 221,476 |
| Americas | 398,127 | 422,181 |
| Asia Pacific | 79,876 | 80,768 |
| **Total assets** | **854,412** | **908,160** |

The designation of total assets by region is based upon customer domicile.

## 6 Net interest income

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Net interest income (CHF million)** | | | |
| Loans | 4,323 | 4,318 | 4,307 |
| Investment securities | 28 | 52 | 74 |
| Trading assets | 10,058 | 11,949 | 11,700 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 2,517 | 2,940 | 3,265 |
| Other | 2,095 | 2,285 | 3,065 |
| Interest and dividend income | 19,021 | 21,544 | 22,411 |
| Deposits | (958) | (1,324) | (1,650) |
| Short-term borrowings | (67) | (71) | (69) |
| Trading liabilities | (5,083) | (6,833) | (7,125) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (1,155) | (1,676) | (1,621) |
| Long-term debt | (3,794) | (4,554) | (5,537) |
| Other | (249) | (276) | (402) |
| Interest expense | (11,306) | (14,734) | (16,404) |
| **Net interest income** | **7,715** | **6,810** | **6,007** |

## 7 Commissions and fees

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Commissions and fees (CHF million)** | | | |
| Lending business | 1,774 | 1,474 | 1,247 |
| Investment and portfolio management | 3,854 | 3,625 | 3,653 |
| Other securities business | 101 | 137 | 68 |
| Fiduciary business | 3,955 | 3,762 | 3,721 |
| Underwriting | 1,681 | 1,561 | 1,479 |
| Brokerage | 3,901 | 3,654 | 4,016 |
| Underwriting and brokerage | 5,582 | 5,215 | 5,495 |
| Other services | 1,747 | 2,098 | 1,897 |
| **Commissions and fees** | **13,058** | **12,549** | **12,360** |

## 8 Trading revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Trading revenues (CHF million)** | | | |
| Interest rate products | 1,056 | 2,868 | 6,578 |
| Foreign exchange products | 1,202 | 560 | (4,456) |
| Equity/index-related products | 952 | 112 | 1,605 |
| Credit products | (879) | (3,306) | 522 |
| Commodity, emission and energy products | 340 | 198 | 361 |
| Other products | 93 | 897 | 131 |
| **Total** | **2,764** | **1,329** | **4,741** |

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

▸ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 9 Other revenues

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Other revenues (CHF million)** | | | |
| Noncontrolling interests without significant economic interest | 695 | 333 | 794 |
| Loans held-for-sale | (5) | (37) | (4) |
| Long-lived assets held-for-sale | 30 | 456 | (43) |
| Equity method investments | 240 | 136 | 137 |
| Other investments | 255 | 752 | 330 |
| Other | 578 | 850 | 531 |
| **Other revenues** | **1,793** | **2,490** | **1,745** |

## 10 Provision for credit losses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Provision for credit losses (CHF million)** | | | |
| Provision for loan losses | 91 | 77 | 78 |
| Provision for lending-related and other exposures | 2 | 11 | 45 |
| **Provision for credit losses** | **93** | **88** | **123** |

## 11 Compensation and benefits

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Compensation and benefits (CHF million)** | | | |
| Salaries and variable compensation | 9,455 | 10,440 | 10,971 |
| Social security | 763 | 751 | 842 |
| Other [1] | 969 | 1,028 | 1,163 |
| **Compensation and benefits** [2] | **11,187** | **12,219** | **12,976** |

[1] Includes pension and other post-retirement expense of CHF 658 million, CHF 747 million and CHF 926 million in 2013, 2012 and 2011, respectively.
[2] Includes severance and other compensation expense relating to headcount reductions of CHF 218 million, CHF 427 million and CHF 576 million as of 2013, 2012 and 2011, respectively.

▸ Refer to “Note 11 – Compensation and benefits” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 12 General and administrative expenses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **General and administrative expenses (CHF million)** | | | |
| Occupancy expenses | 1,168 | 1,191 | 1,094 |
| IT, machinery, etc. | 1,508 | 1,456 | 1,433 |
| Provisions and losses | 2,136 | 682 | 707 |
| Travel and entertainment | 342 | 380 | 425 |
| Professional services | 1,912 | 1,868 | 2,016 |
| Goodwill impairment | 12 | 0 | 0 |
| Amortization and impairment of other intangible assets | 25 | 28 | 30 |
| Other | 1,551 | 1,599 | 1,623 |
| **General and administrative expenses** | **8,654** | **7,204** | **7,328** |

## 13 Securities borrowed, lent and subject to repurchase agreements

| end of | 2013 | 2012 |
|---|---|---|
| **Securities borrowed or purchased under agreements to resell (CHF million)** | | |
| Central bank funds sold and securities purchased under resale agreements | 100,235 | 121,234 |
| Deposits paid for securities borrowed | 59,778 | 62,212 |
| **Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions** | **160,013** | **183,446** |
| **Securities lent or sold under agreements to repurchase (CHF million)** | | |
| Central bank funds purchased and securities sold under repurchase agreements | 86,828 | 120,164 |
| Deposits received for securities lent | 7,204 | 12,557 |
| **Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions** | **94,032** | **132,721** |

▸ Refer to “Note 14 – Securities borrowed, lent and subject to repurchase agreements” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 14 Trading assets and liabilities

| end of | **2013** | 2012 |
|---|---|---|
| **Trading assets (CHF million)** | | |
| Debt securities | 110,115 | 135,814 |
| Equity securities [1] | 76,835 | 74,945 |
| Derivative instruments [2] | 31,787 | 33,416 |
| Other | 10,999 | 12,427 |
| **Trading assets** | **229,736** | **256,602** |
| **Trading liabilities (CHF million)** | | |
| Short positions | 40,162 | 51,501 |
| Derivative instruments [2] | 36,650 | 39,590 |
| **Trading liabilities** | **76,812** | **91,091** |

1 Including convertible bonds.
2 Amounts shown net of cash collateral receivables and payables.

### Cash collateral on derivative instruments

| end of | **2013** | 2012 |
|---|---|---|
| **Cash collateral – netted (CHF million) [1]** | | |
| Cash collateral paid | 23,929 | 36,715 |
| Cash collateral received | 20,512 | 33,274 |
| **Cash collateral – not netted (CHF million) [2]** | | |
| Cash collateral paid | 8,359 | 10,904 |
| Cash collateral received | 11,664 | 12,224 |

1 Recorded as cash collateral netting on derivative instruments in Note 25 – Offsetting of financial assets and financial liabilities.
2 Recorded as cash collateral on derivative instruments in Note 21 – Other assets and other liabilities.

## 15 Investment securities

| end of | 2013 | 2012 |
|---|---|---|
| **Investment securities (CHF million)** | | |
| Securities available-for-sale | 1,627 | 1,939 |
| **Total investment securities** | **1,627** | **1,939** |

### Investment securities by type

| | | | | **2013** | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | **Fair value** |
| **2013 (CHF million)** | | | | | | | | |
| Debt securities issued by foreign governments | 1,136 | 29 | 1 | 1,164 | 1,288 | 67 | 0 | 1,355 |
| Corporate debt securities | 262 | 0 | 0 | 262 | 465 | 0 | 0 | 465 |
| Collateralized debt obligations | 100 | 0 | 0 | 100 | 23 | 1 | 0 | 24 |
| Debt securities available-for-sale | 1,498 | 29 | 1 | 1,526 | 1,776 | 68 | 0 | 1,844 |
| Banks, trust and insurance companies | 74 | 18 | 0 | 92 | 73 | 14 | 0 | 87 |
| Industry and all other | 9 | 0 | 0 | 9 | 8 | 0 | 0 | 8 |
| Equity securities available-for-sale | 83 | 18 | 0 | 101 | 81 | 14 | 0 | 95 |
| **Securities available-for-sale** | **1,581** | **47** | **1** | **1,627** | **1,857** | **82** | **0** | **1,939** |

### Gross unrealized losses on investment securities and the related fair value

| | Less than 12 months | | 12 months or more | | **Total** | |
|---|---|---|---|---|---|---|
| end of | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **2013 (CHF million)** | | | | | | |
| Debt securities issued by foreign governments | 89 | 1 | 0 | 0 | 89 | 1 |
| **Debt securities available-for-sale** | **89** | **1** | **0** | **0** | **89** | **1** |

There were no unrealized losses on investment securities in 2012. No significant impairment was recorded as the Bank does not intend to sell the investments, nor is it more likely than not that the Bank will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

### Proceeds from sales, realized gains and realized losses from available-for-sale securities

| | | **2013** | | 2012 | | 2011 |
|---|---|---|---|---|---|---|
| in | Debt securities | Equity securities | Debt securities | Equity securities | Debt securities | Equity securities |
| **Additional information (CHF million)** | | | | | | |
| Proceeds from sales | 163 | 13 | 294 | 642 | 2,117 | 1 |
| Realized gains | 7 | 1 | 14 | 294 | 40 | 0 |
| Realized losses | 0 | 0 | (2) | 0 | (22) | 0 |

**Amortized cost, fair value and average yield of debt securities**

| | Debt securities available-for-sale | | |
|---|---|---|---|
| end of | Amortized cost | Fair value | Average yield (in %) |
| **2013 (CHF million)** | | | |
| Due within 1 year | 386 | 388 | 1.13 |
| Due from 1 to 5 years | 1,012 | 1,038 | 2.01 |
| Due from 5 to 10 years | 100 | 100 | 2.62 |
| **Total debt securities** | **1,498** | **1,526** | **1.82** |

## 16 Other investments

| end of | 2013 | 2012 |
|---|---|---|
| **Other investments (CHF million)** | | |
| Equity method investments | 2,008 | 2,147 |
| Non-marketable equity securities [1] | 5,988 | 7,156 |
| Real estate held for investment | 557 | 641 |
| Life finance instruments [2] | 1,654 | 1,872 |
| Total other investments | **10,207** | **11,816** |

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.
[2] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

▸ Refer to "Note 33 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 48 million, CHF 13 million and CHF 3 million were recorded in 2013, 2012 and 2011, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 289 million, CHF 280 million and CHF 278 million for 2013, 2012 and 2011, respectively.

▸ Refer to "Note 17 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 17 Loans, allowance for loan losses and credit quality

| end of | 2013 | 2012 |
|---|---|---|
| **Loans (CHF million)** | | |
| Mortgages | 81,115 | 78,328 |
| Loans collateralized by securities | 31,472 | 27,248 |
| Consumer finance | 3,025 | 3,931 |
| Consumer | 115,612 | 109,507 |
| Real estate [1] | 24,673 | 23,209 |
| Commercial and industrial loans [1] | 60,375 | 59,837 |
| Financial institutions [1] | 28,473 | 33,624 |
| Governments and public institutions [1] | 2,864 | 2,163 |
| Corporate & institutional | 116,385 | 118,833 |
| **Gross loans** | **231,997** | **228,340** |
| of which held at amortized cost | 212,540 | 208,340 |
| of which held at fair value | 19,457 | 20,000 |
| Net (unearned income)/deferred expenses | (149) | (121) |
| Allowance for loan losses | (691) | (721) |
| **Net loans** | **231,157** | **227,498** |
| **Gross loans by location (CHF million)** | | |
| Switzerland | 135,813 | 135,439 |
| Foreign | 96,184 | 92,901 |
| **Gross loans** | **231,997** | **228,340** |
| **Impaired loan portfolio (CHF million)** | | |
| Non-performing loans | 659 | 637 |
| Non-interest-earning loans | 255 | 281 |
| Total non-performing and non-interest-earning loans | 914 | 918 |
| Restructured loans | 6 | 30 |
| Potential problem loans | 274 | 450 |
| Total other impaired loans | 280 | 480 |
| **Gross impaired loans** | **1,194** | **1,398** |

1 Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions, and from governments and public institutions to commercial and industrial loans, respectively.

## Allowance for loan losses

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Allowance for loan losses (CHF million)** | | | | | | | | | |
| **Balance at beginning of period** | **143** | **578** | **721** | **159** | **563** | **722** | **157** | **675** | **832** |
| Changes in scope of consolidation | 0 | (1) | (1) | (18) | 0 | **(18)** | 0 | 0 | **0** |
| Net movements recognized in statements of operations | 7 | 84 | 91 | 26 | 51 | 77 | 21 | 57 | 78 |
| Gross write-offs | (38) | (147) | (185) | (42) | (80) | (122) | (58) | (175) | (233) |
| Recoveries | 20 | 30 | 50 | 19 | 20 | 39 | 33 | 4 | 37 |
| Net write-offs | (18) | (117) | (135) | (23) | (60) | (83) | (25) | (171) | (196) |
| Provisions for interest | 5 | 20 | 25 | 4 | 20 | 24 | 0 | 11 | 11 |
| Foreign currency translation impact and other adjustments, net | (3) | (7) | (10) | (5) | 4 | (1) | 6 | (9) | (3) |
| **Balance at end of period** | **134** | **557** | **691** | **143** | **578** | **721** | **159** | **563** | **722** |
| of which individually evaluated for impairment | 104 | 407 | 511 | 116 | 416 | 532 | 130 | 387 | 517 |
| of which collectively evaluated for impairment | 30 | 150 | 180 | 27 | 162 | 189 | 29 | 176 | 205 |
| **Gross loans held at amortized cost (CHF million)** | | | | | | | | | |
| **Balance at end of period** | **115,601** | **96,939** | **212,540** | **109,495** | **98,845** | **208,340** | **105,561** | **94,000** | **199,561** |
| of which individually evaluated for impairment [1] | 354 | 840 | 1,194 | 422 | 976 | 1,398 | 425 | 947 | 1,372 |
| of which collectively evaluated for impairment | 115,247 | 96,099 | 211,346 | 109,073 | 97,869 | 206,942 | 105,136 | 93,053 | 198,189 |

[1] Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

| | 2013 | | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| in | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** | Consumer | Corporate & institutional | **Total** |
| **Loans held at amortized cost (CHF million)** | | | | | | | | | |
| Purchases [1] | 0 | 4,611 | 4,611 | 348 | 4,605 | 4,953 | 0 | 4,121 | 4,121 |
| Reclassifications from loans held-for-sale [2] | 0 | 275 | 275 | 0 | 216 | 216 | 0 | 0 | 0 |
| Reclassifications to loans held-for-sale [3] | 0 | 996 | 996 | 0 | 1,323 | 1,323 | 0 | 1,363 | 1,363 |
| Sales [3] | 0 | 698 | 698 | 0 | 1,058 | 1,058 | 0 | 1,117 | 1,117 |

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

| end of | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | | | | |
| Mortgages | 295 | 2,189 | 16,030 | 49,618 | 12,052 | 732 | 36 | 0 | 0 | 163 | 81,115 |
| Loans collateralized by securities | 182 | 348 | 4,208 | 24,442 | 2,101 | 89 | 2 | 6 | 0 | 94 | 31,472 |
| Consumer finance | 0 | 14 | 222 | 2,339 | 335 | 19 | 0 | 0 | 0 | 85 | 3,014 |
| Consumer | 477 | 2,551 | 20,460 | 76,399 | 14,488 | 840 | 38 | 6 | 0 | 342 | 115,601 |
| Real estate | 1,343 | 991 | 3,330 | 12,484 | 5,701 | 308 | 0 | 1 | 0 | 69 | 24,227 |
| Commercial and industrial loans | 135 | 675 | 1,716 | 20,337 | 21,620 | 3,453 | 227 | 6 | 0 | 596 | 48,765 |
| Financial institutions | 1,319 | 1,689 | 10,274 | 6,045 | 2,436 | 776 | 14 | 1 | 0 | 112 | 22,666 |
| Governments and public institutions | 37 | 275 | 141 | 386 | 146 | 73 | 223 | 0 | 0 | 0 | 1,281 |
| Corporate & institutional | 2,834 | 3,630 | 15,461 | 39,252 | 29,903 | 4,610 | 464 | 8 | 0 | 777 | 96,939 |
| **Gross loans held at amortized cost** | **3,311** | **6,181** | **35,921** | **115,651** | **44,391** | **5,450** | **502** | **14** | **0** | **1,119** | **212,540** |
| Value of collateral [1] | 2,540 | 4,842 | 26,486 | 107,470 | 37,699 | 3,066 | 85 | 0 | 0 | 514 | 182,702 |
| **2012 (CHF million)** | | | | | | | | | | | |
| Mortgages | 378 | 708 | 11,277 | 51,295 | 14,088 | 413 | 8 | 8 | 0 | 153 | 78,328 |
| Loans collateralized by securities | 79 | 57 | 944 | 23,289 | 2,686 | 91 | 6 | 1 | 0 | 95 | 27,248 |
| Consumer finance | 0 | 6 | 98 | 3,171 | 473 | 18 | 0 | 0 | 1 | 152 | 3,919 |
| Consumer | 457 | 771 | 12,319 | 77,755 | 17,247 | 522 | 14 | 9 | 1 | 400 | 109,495 |
| Real estate [2] | 330 | 367 | 2,039 | 13,397 | 6,522 | 159 | 0 | 0 | 0 | 50 | 22,864 |
| Commercial and industrial loans [2] | 142 | 307 | 1,442 | 21,079 | 21,319 | 3,268 | 203 | 1 | 40 | 676 | 48,477 |
| Financial institutions [2] | 2,288 | 2,086 | 12,490 | 5,168 | 3,552 | 381 | 0 | 33 | 14 | 147 | 26,159 |
| Governments and public institutions | 68 | 34 | 324 | 464 | 125 | 101 | 229 | 0 | 0 | 0 | 1,345 |
| Corporate & institutional | 2,828 | 2,794 | 16,295 | 40,108 | 31,518 | 3,909 | 432 | 34 | 54 | 873 | 98,845 |
| **Gross loans held at amortized cost** | **3,285** | **3,565** | **28,614** | **117,863** | **48,765** | **4,431** | **446** | **43** | **55** | **1,273** | **208,340** |
| Value of collateral [1] | 2,899 | 2,577 | 18,358 | 107,275 | 40,170 | 2,835 | 170 | 43 | 4 | 664 | 174,995 |

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, collateral values are generally values at the time of granting the loan.
[2] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

**Gross loans held at amortized cost – aging analysis**

| | Current | | | | Past due | | |
|---|---|---|---|---|---|---|---|
| end of | | Up to 30 days | 31-60 days | 61-90 days | More than 90 days | Total | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 80,823 | 103 | 25 | 24 | 140 | 292 | 81,115 |
| Loans collateralized by securities | 31,272 | 95 | 2 | 12 | 91 | 200 | 31,472 |
| Consumer finance | 2,650 | 277 | 38 | 28 | 21 | 364 | 3,014 |
| Consumer | 114,745 | 475 | 65 | 64 | 252 | 856 | 115,601 |
| Real estate | 24,139 | 18 | 2 | 1 | 67 | 88 | 24,227 |
| Commercial and industrial loans | 48,035 | 272 | 73 | 72 | 313 | 730 | 48,765 |
| Financial institutions | 22,477 | 84 | 2 | 1 | 102 | 189 | 22,666 |
| Governments and public institutions | 1,276 | 5 | 0 | 0 | 0 | 5 | 1,281 |
| Corporate & institutional | 95,927 | 379 | 77 | 74 | 482 | 1,012 | 96,939 |
| **Gross loans held at amortized cost** | **210,672** | **854** | **142** | **138** | **734** | **1,868** | **212,540** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 78,023 | 154 | 14 | 10 | 127 | 305 | 78,328 |
| Loans collateralized by securities | 26,919 | 220 | 3 | 3 | 103 | 329 | 27,248 |
| Consumer finance | 3,508 | 314 | 33 | 26 | 38 | 411 | 3,919 |
| Consumer | 108,450 | 688 | 50 | 39 | 268 | 1,045 | 109,495 |
| Real estate [1] | 22,709 | 106 | 2 | 2 | 45 | 155 | 22,864 |
| Commercial and industrial loans [1] | 47,334 | 640 | 22 | 136 | 345 | 1,143 | 48,477 |
| Financial institutions [1] | 25,926 | 53 | 2 | 34 | 144 | 233 | 26,159 |
| Governments and public institutions | 1,310 | 35 | 0 | 0 | 0 | 35 | 1,345 |
| Corporate & institutional | 97,279 | 834 | 26 | 172 | 534 | 1,566 | 98,845 |
| **Gross loans held at amortized cost** | **205,729** | **1,522** | **76** | **211** | **802** | **2,611** | **208,340** |

[1] Prior period has been corrected to reclassify certain counterparty exposures from real estate and commercial and industrial loans to loans to financial institutions.

### Gross impaired loans by category

| end of | Non-performing loans | Non-interest-earning loans | Total | Restructured loans | Potential problem loans | Total | Total |
|---|---|---|---|---|---|---|---|
| | Non-performing and non-interest earning loans | | | Other impaired loans | | | |
| **2013 (CHF million)** | | | | | | | |
| Mortgages | 144 | 7 | 151 | 0 | 21 | 21 | 172 |
| Loans collateralized by securities | 20 | 71 | 91 | 0 | 5 | 5 | 96 |
| Consumer finance | 81 | 5 | 86 | 0 | 0 | 0 | 86 |
| Consumer | 245 | 83 | 328 | 0 | 26 | 26 | 354 |
| Real estate | 52 | 13 | 65 | 0 | 5 | 5 | 70 |
| Commercial and industrial loans | 291 | 126 | 417 | 6 | 215 | 221 | 638 |
| Financial institutions | 71 | 33 | 104 | 0 | 28 | 28 | 132 |
| Corporate & institutional | 414 | 172 | 586 | 6 | 248 | 254 | 840 |
| **Gross impaired loans** | **659** | **255** | **914** | **6** | **274** | **280** | **1,194** |
| **2012 (CHF million)** | | | | | | | |
| Mortgages | 125 | 9 | 134 | 0 | 39 | 39 | 173 |
| Loans collateralized by securities | 18 | 74 | 92 | 0 | 3 | 3 | 95 |
| Consumer finance | 143 | 10 | 153 | 0 | 1 | 1 | 154 |
| Consumer | 286 | 93 | 379 | 0 | 43 | 43 | 422 |
| Real estate | 42 | 4 | 46 | 0 | 15 | 15 | 61 |
| Commercial and industrial loans | 251 | 146 | 397 | 30 | 327 | 357 | 754 |
| Financial institutions | 58 | 38 | 96 | 0 | 65 | 65 | 161 |
| Corporate & institutional | 351 | 188 | 539 | 30 | 407 | 437 | 976 |
| **Gross impaired loans** | **637** | **281** | **918** | **30** | **450** | **480** | **1,398** |

As of December 31, 2013 and 2012, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2013 and 2012, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

In 2013, 2012 and 2011, the number of troubled debt restructurings and related financial effects and the number of defaults and related carrying values of loans, which had been restructured within the previous 12 months, were not material.

### Gross impaired loan details

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | Recorded investment | Unpaid principal balance | Associated specific allowance | Recorded investment | Unpaid principal balance | Associated specific allowance |
| **Gross impaired loan detail (CHF million)** | | | | | | |
| Mortgages | 162 | 153 | 16 | 149 | 141 | 16 |
| Loans collateralized by securities | 67 | 63 | 54 | 68 | 66 | 53 |
| Consumer finance | 68 | 67 | 34 | 129 | 125 | 47 |
| Consumer | 297 | 283 | 104 | 346 | 332 | 116 |
| Real estate | 68 | 63 | 13 | 58 | 54 | 18 |
| Commercial and industrial loans | 629 | 584 | 312 | 627 | 592 | 306 |
| Financial institutions | 131 | 127 | 82 | 157 | 154 | 92 |
| Corporate & institutional | 828 | 774 | 407 | 842 | 800 | 416 |
| **Gross impaired loans with a specific allowance** | **1,125** | **1,057** | **511** | **1,188** | **1,132** | **532** |
| Mortgages | 10 | 10 | – | 24 | 24 | – |
| Loans collateralized by securities | 29 | 29 | – | 27 | 27 | – |
| Consumer finance | 18 | 18 | – | 25 | 25 | – |
| Consumer | 57 | 57 | – | 76 | 76 | – |
| Real estate | 2 | 2 | – | 3 | 3 | – |
| Commercial and industrial loans | 9 | 9 | – | 127 | 128 | – |
| Financial institutions | 1 | 1 | – | 4 | 4 | – |
| Corporate & institutional | 12 | 12 | – | 134 | 135 | – |
| **Gross impaired loans without specific allowance** | **69** | **69** | **–** | **210** | **211** | **–** |
| **Gross impaired loans** | **1,194** | **1,126** | **511** | **1,398** | **1,343** | **532** |
| of which consumer | 354 | 340 | 104 | 422 | 408 | 116 |
| of which corporate & institutional | 840 | 786 | 407 | 976 | 935 | 416 |

## Gross impaired loan details (continued)

| in | 2013 Average recorded investment | 2013 Interest income recognized | 2013 Interest income recognized on a cash basis | 2012 Average recorded investment | 2012 Interest income recognized | 2012 Interest income recognized on a cash basis | 2011 Average recorded investment | 2011 Interest income recognized | 2011 Interest income recognized on a cash basis |
|---|---|---|---|---|---|---|---|---|---|
| **Gross impaired loan detail (CHF million)** | | | | | | | | | |
| Mortgages | 154 | 1 | 1 | 152 | 1 | 1 | 142 | 1 | 1 |
| Loans collateralized by securities | 70 | 2 | 2 | 68 | 1 | 0 | 82 | 1 | 0 |
| Consumer finance | 87 | 0 | 0 | 117 | 3 | 3 | 135 | 2 | 2 |
| Consumer | 311 | 3 | 3 | 337 | 5 | 4 | 359 | 4 | 3 |
| Real estate | 67 | 1 | 1 | 43 | 0 | 0 | 28 | 0 | 0 |
| Commercial and industrial loans | 669 | 5 | 5 | 556 | 3 | 2 | 812 | 7 | 6 |
| Financial institutions | 136 | 0 | 0 | 191 | 2 | 2 | 147 | 0 | 0 |
| Governments and public institutions | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0 | 0 |
| Corporate & institutional | 872 | 6 | 6 | 796 | 5 | 4 | 993 | 7 | 6 |
| **Gross impaired loans with a specific allowance** | **1,183** | **9** | **9** | **1,133** | **10** | **8** | **1,352** | **11** | **9** |
| Mortgages | 19 | 0 | 0 | 27 | 0 | 0 | 68 | 0 | 0 |
| Loans collateralized by securities | 27 | 0 | 0 | 8 | 0 | 0 | 4 | 0 | 0 |
| Consumer finance | 22 | 0 | 0 | 41 | 0 | 0 | 19 | 0 | 0 |
| Consumer | 68 | 0 | 0 | 76 | 0 | 0 | 91 | 0 | 0 |
| Real estate | 11 | 0 | 0 | 12 | 0 | 0 | 74 | 5 | 5 |
| Commercial and industrial loans | 58 | 0 | 0 | 199 | 3 | 3 | 130 | 0 | 0 |
| Financial institutions | 2 | 0 | 0 | 8 | 0 | 0 | 19 | 0 | 0 |
| Corporate & institutional | 71 | 0 | 0 | 219 | 3 | 3 | 223 | 5 | 5 |
| **Gross impaired loans without specific allowance** | **139** | **0** | **0** | **295** | **3** | **3** | **314** | **5** | **5** |
| **Gross impaired loans** | **1,322** | **9** | **9** | **1,428** | **13** | **11** | **1,666** | **16** | **14** |
| of which consumer | 379 | 3 | 3 | 413 | 5 | 4 | 450 | 4 | 3 |
| of which corporate & institutional | 943 | 6 | 6 | 1,015 | 8 | 7 | 1,216 | 12 | 11 |

▸ Refer to “Note 18 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 18 Premises and equipment

| end of | 2013 | 2012 |
|---|---|---|
| **Premises and equipment (CHF million)** | | |
| Buildings and improvements | 2,201 | 2,210 |
| Land | 466 | 476 |
| Leasehold improvements | 2,031 | 2,159 |
| Software | 5,734 | 5,323 |
| Equipment | 2,288 | 3,080 |
| **Premises and equipment** | **12,720** | **13,248** |
| Accumulated depreciation | (7,825) | (7,832) |
| **Total premises and equipment, net** | **4,895** | **5,416** |

### Depreciation and impairment

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **CHF million** | | | |
| Depreciation | 1,227 | 1,218 | 1,067 |
| Impairment | 65 | 17 | 84 |

In 2011, the estimated useful lives for leasehold and building improvements in Switzerland were increased from five to ten years, based on a change in estimate. The cumulative effect of adopting this change in estimate on January 1, 2011 was a decrease in depreciation expense of CHF 57 million (CHF 50 million after tax).

## 19 Goodwill

| end of | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Private Banking & Wealth Management | Investment Banking | **Credit Suisse (Bank)** | Private Banking & Wealth Management | Investment Banking | **Credit Suisse (Bank)** |
| **Gross amount of goodwill (CHF million)** | | | | | | |
| **Balance at beginning of period** | **2,210** | **5,382** | **7,592** | **2,260** | **5,522** | **7,782** |
| Goodwill acquired during the year | 3 | 0 | 3 | 28 | 0 | 28 |
| Discontinued operations | (127) | 0 | (127) | 0 | 0 | 0 |
| Foreign currency translation impact | (72) | (141) | (213) | (65) | (138) | (203) |
| Other | (36) | (4) | (40) | (13) | (2) | (15) |
| **Balance at end of period** | **1,978** | **5,237** | **7,215** | **2,210** | **5,382** | **7,592** |
| **Accumulated impairment (CHF million)** | | | | | | |
| **Balance at beginning of period** | **0** | **82** | **82** | **0** | **82** | **82** |
| Impairment losses | 12 | 0 | 12 | 0 | 0 | 0 |
| **Balance at end of period** | **12** | **82** | **94** | **0** | **82** | **82** |
| **Net book value (CHF million)** | | | | | | |
| **Net book value** | **1,966** | **5,155** | **7,121** | **2,210** | **5,300** | **7,510** |

▸ Refer to "Note 20 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 20 Other intangible assets

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | Gross carrying amount | Accumu-lated amorti-zation | Net carrying amount | Gross carrying amount | Accumu-lated amorti-zation | Net carrying amount |
| **Other intangible assets (CHF million)** | | | | | | |
| Trade names/trademarks | 25 | (21) | 4 | 25 | (21) | 4 |
| Client relationships | 222 | (106) | 116 | 303 | (142) | 161 |
| Other | 7 | (1) | 6 | 8 | (2) | 6 |
| **Total amortizing other intangible assets** | **254** | **(128)** | **126** | **336** | **(165)** | **171** |
| Non-amortizing other intangible assets | 84 | – | 84 | 72 | – | 72 |
| of which mortgage servicing rights, at fair value | 42 | – | 42 | 43 | – | 43 |
| **Total other intangible assets** | **338** | **(128)** | **210** | **408** | **(165)** | **243** |

### Additional information

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Aggregate amortization and impairment (CHF million)** | | | |
| Aggregate amortization | 24 | 28 | 30 |
| Impairment | 8 | 0 | 0 |
| of which related to discontinued operations | 7 | 0 | 0 |

### Estimated amortization

| | |
|---|---|
| **Estimated amortization (CHF million)** | |
| 2014 | 18 |
| 2015 | 18 |
| 2016 | 17 |
| 2017 | 17 |
| 2018 | 16 |

▸ Refer to “Note 21 – Other intangible assets” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 21 Other assets and other liabilities

| end of | 2013 | 2012 |
|---|---|---|
| **Other assets (CHF million)** | | |
| Cash collateral on derivative instruments | 8,359 | 10,904 |
| Cash collateral on non-derivative transactions | 1,412 | 1,995 |
| Derivative instruments used for hedging | 2,062 | 3,913 |
| Assets held-for-sale | 19,306 | 20,343 |
| of which loans [1] | 18,914 | 19,894 |
| of which real estate | 392 | 442 |
| Assets held for separate accounts | 11,236 | 13,414 |
| Interest and fees receivable | 4,839 | 5,845 |
| Deferred tax assets | 6,179 | 7,094 |
| Prepaid expenses | 568 | 532 |
| Failed purchases | 2,365 | 2,699 |
| Other | 5,230 | 6,043 |
| **Other assets** | **61,556** | **72,782** |
| **Other liabilities (CHF million)** | | |
| Cash collateral on derivative instruments | 11,664 | 12,224 |
| Cash collateral on non-derivative transactions | 955 | 1,246 |
| Derivative instruments used for hedging | 384 | 1,114 |
| Provisions [2] | 2,630 | 1,348 |
| of which off-balance sheet risk | 59 | 59 |
| Liabilities held for separate accounts | 11,236 | 13,414 |
| Interest and fees payable | 5,569 | 6,556 |
| Current tax liabilities | 805 | 811 |
| Deferred tax liabilities | 80 | 103 |
| Failed sales | 2,396 | 4,336 |
| Other | 15,360 | 16,215 |
| **Other liabilities** | **51,079** | **57,367** |

[1] Included as of December 31, 2013 and 2012 were CHF 1,778 million and CHF 3,730 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 769 million and CHF 922 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.
[2] Includes provisions for bridge commitments.

## 22 Deposits

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Switzerland | Foreign | Total | Switzerland | Foreign | Total |
| **Deposits (CHF million)** | | | | | | |
| Non-interest-bearing demand deposits | 4,735 | 4,336 | 9,071 | 8,282 | 4,521 | 12,803 |
| Interest-bearing demand deposits | 137,274 | 27,169 | 164,443 | 129,352 | 25,713 | 155,065 |
| Savings deposits | 55,637 | 26 | 55,663 | 52,534 | 44 | 52,578 |
| Time deposits | 14,655 | 101,166 | 115,821 [1] | 8,965 | 98,853 | 107,818 [1] |
| **Total deposits** | **212,301** | **132,697** | **344,998** [2] | **199,133** | **129,131** | **328,264** [2] |
| of which due to banks | – | – | 23,147 | – | – | 30,574 |
| of which customer deposits | – | – | 321,851 | – | – | 297,690 |

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.
[1] Included CHF 115,792 million and CHF 107,705 million as of December 31, 2013 and 2012, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.
[2] Not included as of December 31, 2013 and 2012 were CHF 18 million and CHF 67 million, respectively, of overdrawn deposits reclassified as loans.

## 23 Long-term debt

| end of | 2013 | 2012 |
|---|---|---|
| **Long-term debt (CHF million)** | | |
| Senior | 91,893 | 112,123 |
| Subordinated | 21,756 | 20,342 |
| Non-recourse liabilities from consolidated VIEs | 12,992 | 14,532 |
| **Long-term debt** | **126,641** | **146,997** |
| of which reported at fair value | 61,853 | 64,774 |
| of which structured notes | 34,817 | 36,639 |

### Structured notes by product

| end of | 2013 | 2012 |
|---|---|---|
| **Structured notes (CHF million)** | | |
| Equity | 23,315 | 23,761 |
| Fixed income | 5,573 | 6,559 |
| Emerging markets [1] | 1,766 | 3,304 |
| Credit | 3,453 | 1,893 |
| Other | 710 | 1,122 |
| **Total structured notes** | **34,817** | **36,639** |

[1] Transactions where the return is based on a referenced underlying or counterparty specific to emerging markets.

### Long-term debt by maturities

| end of | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Long-term debt (CHF million)** | | | | | | | |
| **Senior debt** | | | | | | | |
| Fixed rate | 9,641 | 13,452 | 3,092 | 8,453 | 2,114 | 10,862 | 47,614 |
| Variable rate | 10,559 | 9,866 | 6,220 | 4,719 | 4,982 | 7,932 | 44,278 |
| Interest rates (range in %) [1] | 0.0–13.1 | 0.0–12.6 | 0.3–10.7 | 0.1–5.1 | 0.5–3.8 | 0.0–8.2 | – |
| **Subordinated debt** | | | | | | | |
| Fixed rate | 154 | 93 | 1,780 | 907 | 9,508 | 6,765 | 19,207 |
| Variable rate | 52 | 19 | 30 | 45 | 2,250 | 154 | 2,550 |
| Interest rates (range in %) [1] | 0.5–9.3 | 2.5–10.3 | 0.3–8.2 | 0.9–7.3 | 0.1–13.3 | 0.1–8.5 | – |
| **Non-recourse liabilities from consolidated VIEs** | | | | | | | |
| Fixed rate | 0 | 745 | 304 | 14 | 0 | 111 | 1,174 |
| Variable rate | 370 | 164 | 469 | 15 | 0 | 10,800 | 11,818 |
| Interest rates (range in %) [1] | 0.2–13.2 | 0.0–3.6 | 0.0–12.8 | 1.9–4.0 | – | 0.0–10.8 | – |
| **Total long-term debt** | **20,776** | **24,339** | **11,895** | **14,153** | **18,854** | **36,624** | **126,641** |
| of which structured notes | 8,220 | 6,843 | 5,585 | 2,821 | 4,760 | 6,588 | 34,817 |

[1] Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

▸ Refer to “Note 24 – Long-term debt” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 24 Accumulated other comprehensive income

| | Gains/ (losses) on cash flow hedges | Cumulative translation adjustments | Unrealized gains/ (losses) on securities | Actuarial gains/ (losses) | Net prior service credit/ (cost) | **Accumulated other comprehensive income** |
|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **7** | **(11,349)** | **53** | **(670)** | **3** | **(11,956)** |
| Increase/(decrease) | 6 | (2,261) | (13) | (102) | 0 | (2,370) |
| Reclassification adjustments, included in net income | (4) | 83 | (5) | 58 | 0 | 132 |
| Total increase/(decrease) | 2 | (2,178) | (18) | (44) | 0 | (2,238) |
| **Balance at end of period** | **9** | **(13,527)** | **35** | **(714)** | **3** | **(14,194)** |
| **2012 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **0** | **(10,326)** | **96** | **(729)** | **4** | **(10,955)** |
| Increase/(decrease) | 7 | (1,067) | 199 | 4 | 0 | (857) |
| Reclassification adjustments, included in net income | 0 | 44 | (242) | 55 | (1) | (144) |
| Total increase/(decrease) | 7 | (1,023) | (43) | 59 | (1) | (1,001) |
| Balance at end of period | **7** | **(11,349)** | **53** | **(670)** | **3** | **(11,956)** |
| **2011 (CHF million)** | | | | | | |
| **Balance at beginning of period** | **32** | **(9,994)** | **99** | **(871)** | **5** | **(10,729)** |
| Increase/(decrease) | (5) | (348) | 21 | 103 | 0 | (229) |
| Reclassification adjustments, included in net income | (27) | 16 | (24) | 39 | (1) | 3 |
| Total increase/(decrease) | (32) | (332) | (3) | 142 | (1) | (226) |
| **Balance at end of period** | **0** | **(10,326)** | **96** | **(729)** | **4** | **(10,955)** |

### Details of significant reclassification adjustments

| in | **2013** |
|---|---|
| **Reclassification adjustments, included in net income (CHF million)** | |
| **Cumulative translation adjustments** | |
| Sale of subsidiaries [1] | **83** |
| **Actuarial gains/(losses)** | |
| Amortization of recognized actuarial losses [2] | 92 |
| Tax expense/(benefit) | (34) |
| Net of tax | **58** |

[1] Includes net releases of CHF 84 million on the sale of JO Hambro, which was settled in the third quarter of 2013. These were reclassified from cumulative translation adjustments and included in net income in other revenues, offset by a gain on the transaction.

[2] These components are included in the computation of total benefit costs. Refer to "Note 29 – Pension and other post-retirement benefits" for further information.

## 25 Offsetting of financial assets and financial liabilities

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Offsetting of derivatives

| | 2013 | | 2012 | |
|---|---|---|---|---|
| end of | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| **Gross derivatives subject to enforceable master netting agreements (CHF billion)** | | | | |
| OTC-cleared | 265.3 | 262.0 | 365.3 | 365.4 |
| OTC | 183.0 | 178.0 | 337.7 | 327.9 |
| Exchange-traded | 0.2 | 0.2 | 0.2 | 0.2 |
| **Interest rate products** | **448.5** | **440.2** | **703.2** | **693.5** |
| OTC | 58.4 | 68.2 | 60.4 | 73.2 |
| Exchange-traded | 0.1 | 0.2 | 0.0 | 0.0 |
| **Foreign exchange products** | **58.5** | **68.4** | **60.4** | **73.2** |
| OTC | 15.5 | 18.6 | 12.7 | 15.2 |
| Exchange-traded | 14.8 | 15.1 | 13.7 | 14.1 |
| **Equity/index-related products** | **30.3** | **33.7** | **26.4** | **29.3** |
| OTC-cleared | 5.2 | 5.1 | 3.0 | 2.7 |
| OTC | 20.8 | 21.2 | 27.1 | 26.8 |
| **Credit derivatives** | **26.0** | **26.3** | **30.1** | **29.5** |
| OTC | 4.4 | 4.1 | 5.7 | 5.5 |
| Exchange-traded | 0.7 | 0.6 | 1.7 | 1.7 |
| **Other products** | **5.1** | **4.7** | **7.4** | **7.2** |
| OTC-cleared | 270.5 | 267.1 | 368.3 | 368.1 |
| OTC | 282.1 | 290.1 | 443.6 | 448.6 |
| Exchange-traded | 15.8 | 16.1 | 15.6 | 16.0 |
| **Total gross derivatives subject to enforceable master netting agreements** | **568.4** | **573.3** | **827.5** | **832.7** |
| **Offsetting (CHF billion)** | | | | |
| OTC-cleared | (269.1) | (267.0) | (367.2) | (367.5) |
| OTC | (260.6) | (265.6) | (418.6) | (421.7) |
| Exchange-traded | (15.1) | (15.1) | (14.2) | (14.2) |
| **Offsetting** | **(544.8)** | **(547.7)** | **(800.0)** | **(803.4)** |
| of which counterparty netting | (523.8) | (523.8) | (766.7) | (766.7) |
| of which cash collateral netting | (21.0) | (23.9) | (33.3) | (36.7) |
| **Net derivatives presented in the consolidated balance sheets (CHF billion)** | | | | |
| OTC-cleared | 1.4 | 0.1 | 1.1 | 0.6 |
| OTC | 21.5 | 24.5 | 25.0 | 26.9 |
| Exchange-traded | 0.7 | 1.0 | 1.4 | 1.8 |
| **Total net derivatives subject to enforceable master netting agreements** | **23.6** | **25.6** | **27.5** | **29.3** |
| **Total derivatives not subject to enforceable master netting agreements** [1] | **10.3** | **11.4** | **9.8** | **11.4** |
| **Total net derivatives presented in the consolidated balance sheets** | **33.9** | **37.0** | **37.3** | **40.7** |
| of which recorded in trading assets and trading liabilities | 31.8 | 36.6 | 33.4 | 39.6 |
| of which recorded in other assets and other liabilities | 2.1 | 0.4 | 3.9 | 1.1 |

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

## Offsetting of securities purchased under resale agreements and securities borrowing transactions

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities purchased under resale agreements and securities borrowing transactions (CHF billion)** | | | | | | |
| Securities purchased under resale agreements | 112.0 | (25.1) | 86.9 | 141.4 | (41.1) | 100.3 |
| Securities borrowing transactions | 22.7 | (1.7) | 21.0 | 20.9 | (2.0) | 18.9 |
| **Total subject to enforceable master netting agreements** | **134.7** | **(26.8)** | **107.9** | **162.3** | **(43.1)** | **119.2** |
| **Total not subject to enforceable master netting agreements** [1] | **52.1** | **–** | **52.1** | **64.2** | **–** | **64.2** |
| **Total** | **186.8** | **(26.8)** | **160.0** [2] | **226.5** | **(43.1)** | **183.4** [2] |

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 96,587 million and CHF 113,664 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

## Offsetting of securities sold under repurchase agreements and securities lending transactions

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Gross | Offsetting | Net | Gross | Offsetting | Net |
| **Securities sold under repurchase agreements and securities lending transactions (CHF billion)** | | | | | | |
| Securities sold under repurchase agreements | 86.5 | (26.8) | 59.7 | 99.6 | (43.1) | 56.5 |
| Securities lending transactions | 6.6 | 0.0 | 6.6 | 10.8 | 0.0 | 10.8 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 0.0 | 18.5 | 25.9 | 0.0 | 25.9 |
| **Total subject to enforceable master netting agreements** | **111.6** | **(26.8)** | **84.8** | **136.3** | **(43.1)** | **93.2** |
| **Total not subject to enforceable master netting agreements** [1] | **32.0** | **–** | **32.0** | **69.5** | **–** | **69.5** |
| **Total** | **143.6** | **(26.8)** | **116.8** | **205.8** | **(43.1)** | **162.7** |
| of which securities sold under repurchase agreements and securities lending transactions | 120.8 | (26.8) | 94.0 [2] | 175.8 | (43.1) | 132.7 [2] |
| of which obligation to return securities received as collateral, at fair value | 22.8 | 0.0 | 22.8 | 30.0 | 0.0 | 30.0 |

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 76,104 million and CHF 108,784 million of the total net amount as of December 31, 2013 and 2012, respectively, are reported at fair value.

## Amounts not offset in the consolidated balance sheets

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** | Net | Financial instruments [1] | Cash collateral received/ pledged [1] | **Net exposure** |
| **Financial assets subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 23.6 | 4.9 | 0.1 | 18.6 | 27.5 | 5.8 | 0.0 | 21.7 |
| Securities purchased under resale agreements | 86.9 | 86.9 | 0.0 | 0.0 | 100.3 | 100.3 | 0.0 | 0.0 |
| Securities borrowing transactions | 21.0 | 20.2 | 0.0 | 0.8 | 18.9 | 17.4 | 0.0 | 1.5 |
| **Total financial assets subject to enforceable master netting agreements** | **131.5** | **112.0** | **0.1** | **19.4** | **146.7** | **123.5** | **0.0** | **23.2** |
| **Financial liabilities subject to enforceable master netting agreements (CHF billion)** | | | | | | | | |
| Derivatives | 25.6 | 9.9 | 0.0 | 15.7 | 29.3 | 10.8 | 0.0 | 18.5 |
| Securities sold under repurchase agreements | 59.7 | 59.7 | 0.0 | 0.0 | 56.5 | 56.3 | 0.2 | 0.0 |
| Securities lending transactions | 6.6 | 6.2 | 0.0 | 0.4 | 10.8 | 10.2 | 0.0 | 0.6 |
| Obligation to return securities received as collateral, at fair value | 18.5 | 17.5 | 0.0 | 1.0 | 25.9 | 24.2 | 0.0 | 1.7 |
| **Total financial liabilities subject to enforceable master netting agreements** | **110.4** | **93.3** | **0.0** | **17.1** | **122.5** | **101.5** | **0.2** | **20.8** |

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 26 Tax

### Details of current and deferred taxes

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Current and deferred taxes (CHF million)** | | | |
| Switzerland | (52) | 85 | (35) |
| Foreign | 561 | 542 | 440 |
| **Current income tax expense** | **509** | **627** | **405** |
| Switzerland | (15) | (121) | (251) |
| Foreign | 683 | (59) | 290 |
| **Deferred income tax expense/(benefit)** | **668** | **(180)** | **39** |
| **Income tax expense** | **1,177** | **447** | **444** |
| Income tax expense/(benefit) on discontinued operations | 75 | 31 | 15 |
| Income tax expense/(benefit) reported in shareholder's equity related to: | | | |
| Gains/(losses) on cash flow hedges | 1 | 0 | (4) |
| Cumulative translation adjustment | 44 | (12) | 16 |
| Unrealized gains/(losses) on securities | (8) | (1) | 16 |
| Actuarial gains/(losses) | 99 | 30 | 29 |
| Net prior service cost | 0 | (2) | (1) |
| Share-based compensation and treasury shares | 1 | (53) | 275 |

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

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Income/(loss) from continuing operations before taxes (CHF million)** | | | |
| Switzerland | 300 | 1,170 | (176) |
| Foreign | 3,370 | 812 | 2,687 |
| **Income from continuing operations before taxes** | **3,670** | **1,982** | **2,511** |
| **Reconciliation of taxes computed at the Swiss statutory rate (CHF million)** | | | |
| Income tax expense computed at the statutory tax rate of 22% | 807 | 436 | 552 |
| Increase/(decrease) in income taxes resulting from | | | |
| Foreign tax rate differential | 215 | 279 | (29) |
| Non-deductible amortization of other intangible assets and goodwill impairment | 25 | 0 | 0 |
| Other non-deductible expenses | 493 | 382 | 444 |
| Additional taxable income | (5) | 6 | 6 |
| Lower taxed income | (374) | (413) | (422) |
| Income taxable to noncontrolling interests | (262) | (118) | (312) |
| Changes in tax law and rates | 184 | 182 | 170 |
| Changes in deferred tax valuation allowance | 381 | 10 | 471 |
| Tax deductible impairments of Swiss subsidiary investments | (268) | (161) | (55) |
| Other | (19) | (156) | (381) |
| **Income tax expense** | **1,177** | **447** | **444** |

**2013**

**Foreign tax rate differential** of CHF 215 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,244 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 493 million included non-deductible interest expenses of CHF 247 million, non-taxable offshore expenses of CHF 9 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 93 million, non-deductible provision accruals of CHF 103 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 374 million included a net tax benefit of CHF 49 million resulting from the reversal of a deferred tax liability previously recorded to cover for a taxable timing difference related to a re-investment relief. In addition, 2013 included a Swiss income tax benefit of CHF 41 million as a result of foreign branch earnings beneficially impacting the earnings mix, a tax benefit of CHF 61 million related to non-taxable life insurance income, CHF 56 million related to exempt offshore income, CHF 45 million in respect of non-taxable dividend income, CHF 18 million related to non-taxable foreign exchange gains, CHF 67 million related to tax credits and CHF 19 million related to permanent tax benefits from tax deductible goodwill amortization. The remaining balance included various smaller items.

**Changes in tax law and rates** of CHF 184 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 381 million included the impact of the increase of valuation allowances of CHF 245 million mainly in respect of four of the Bank's operating entities, three in Europe and one in Asia, relating to current year earnings. Additionally, 2013 included an increase in valuation allowance for previously recognized deferred tax assets in respect of one of the Bank's operating entities in the UK of CHF 278 million. Also included was a tax benefit of CHF 143 million resulting from the release of valuation allowances on deferred tax assets mainly for two of the Bank's operating entities, one in Japan and one in the UK.

**Other** of CHF 19 million included a tax benefit of CHF 57 million relating to the current year's earnings mix and the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to deferred tax assets and a CHF 36 million income tax benefit following a change in the tax status of one of the Bank's US entities, partially offset by a tax expense of CHF 41 million relating to the increase of tax contingency accruals and a tax expense of CHF 41 million relating to non-recoverable foreign taxes. The remaining balance included various smaller items.

**2012**

**Foreign tax rate differential** of CHF 279 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 483 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items explained below.

**Other non-deductible expenses** of CHF 382 million included non-deductible interest expenses of CHF 259 million, non-taxable offshore expenses of CHF 8 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 57 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 413 million included a Swiss income tax benefit of CHF 114 million as a result of foreign branch earnings beneficially impacting the earnings mix. In addition, 2012 included a tax benefit of CHF 48 million related to non-taxable life insurance income, CHF 29 million related to exempt offshore income, CHF 40 million in respect of non-taxable dividend income, CHF 11 million related to non-taxable foreign exchange gains and CHF 100 million related to tax credits. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 182 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 10 million included an increase to the valuation allowance of CHF 834 million in respect of five of the Bank's operating entities, three in Europe and two in Asia, mainly relating to deferred tax assets on current year tax losses and pre-existing loss carry-forwards. Additionally, 2012 included a tax benefit of CHF 820 million resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

**Other** of CHF 156 million included a tax benefit of CHF 48 million relating to the re-assessment of deferred tax assets in Switzerland reflecting changes in forecasted future profitability related to such pre-existing deferred tax assets. Also included was a benefit of CHF 70 million relating to return to accrual adjustments following the close of a tax audit cycle and the impact of the closure of an advanced pricing agreement and CHF 43 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

### 2011

**Foreign tax rate differential** of CHF 29 million reflected a foreign tax rate benefit in respect of profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas, partially offset by foreign tax rate differential related to profits earned in higher tax jurisdictions, mainly Brazil and the US. The foreign tax benefit in relation to foreign tax expense of CHF 730 million was more than offset by tax impacts related to reconciling items explained below.

**Other non-deductible expenses** of CHF 444 million included non-deductible interest expenses of CHF 240 million, non-taxable offshore expenses of CHF 80 million, non-deductible bank levy costs and other non-deductible compensation expenses of CHF 49 million and other various smaller non-deductible expenses.

**Lower taxed income** of CHF 422 million included a tax benefit of CHF 40 million related to non-taxable life insurance income, CHF 52 million related to exempt offshore income, CHF 47 million in respect of non-taxable dividend income and CHF 47 million related to non-taxable foreign exchange gains. In addition, 2011 included tax benefits of CHF 42 million related to tax credits and CHF 116 million in respect of the reversal of the deferred tax liability recorded to cover estimated recapture of loss deductions arising from foreign branches of the Bank. The remaining balance included various smaller items, amongst others related to permanent tax benefits from tax deductible goodwill amortization and tax holidays.

**Changes in tax law and rates** of CHF 170 million reflected a tax expense caused by the reduction of deferred tax assets mainly due to the impact of the change in UK corporation tax.

**Changes in deferred tax valuation allowances** of CHF 471 million included an increase to the valuation allowance of CHF 428 million in respect of three of the Bank's operating entities, two in the UK and one in Asia, mainly relating to deferred tax assets on tax loss carry-forwards. Additionally, 2011 included a tax benefit of CHF 7 million resulting from the release of valuation allowances on deferred tax assets for one of the Bank's operating entities in the US.

**Other** of CHF 381 million included a tax benefit of CHF 261 million relating to the increase of deferred tax assets in two of the Bank's operating entities, one in Switzerland (CHF 129 million) and one in the US (CHF 132 million). The increase is related to the re-measurement of existing deferred tax assets on net operating losses due to changes in the mix of the sources of income and related tax rates that these net operating losses are expected to be applied to. Also included was an amount of CHF 125 million relating to the release of tax contingency accruals following the favorable resolution of tax matters.

As of December 31, 2013, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 5.6 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

### Details of the tax effect of temporary differences

| end of | 2013 | 2012 |
|---|---|---|
| **Tax effect of temporary differences (CHF million)** | | |
| Compensation and benefits | 2,106 | 2,279 |
| Loans | 363 | 441 |
| Investment securities | 1,654 | 1,818 |
| Provisions | 1,874 | 1,760 |
| Derivatives | 136 | 343 |
| Real estate | 240 | 242 |
| Net operating loss carry-forwards | 4,432 | 5,177 |
| Other | 186 | 204 |
| **Gross deferred tax assets before valuation allowance** | **10,991** | **12,264** |
| Less valuation allowance | (2,704) | (2,550) |
| **Gross deferred tax assets net of valuation allowance** | **8,287** | **9,714** |
| Compensation and benefits | (120) | (164) |
| Loans | (109) | (162) |
| Investment securities | (1,089) | (1,354) |
| Provisions | (396) | (402) |
| Business combinations | 0 | (20) |
| Derivatives | (193) | (295) |
| Leasing | (53) | (40) |
| Real estate | (75) | (78) |
| Other | (153) | (208) |
| **Gross deferred tax liabilities** | **(2,188)** | **(2,723)** |
| **Net deferred tax assets** | **6,099** | **6,991** |

The decrease in net deferred tax assets from 2012 to 2013 of CHF 892 million was primarily due to the impact of taxable income in 2013 decreasing deferred tax assets by CHF 411 million and the recognition of a valuation allowance against deferred tax assets, mainly in the UK, of CHF 278 million. In addition, the decrease reflected a write-down of deferred tax assets of CHF 184 million as a result of changes to corporation tax rates in the UK, the tax impacts directly recorded in equity, mainly related to share-based compensation and other tax recorded in accumulated other comprehensive income/(loss) (AOCI) of CHF 44 million and foreign exchange translation losses of CHF 182 million, which are included within currency translation adjustments recorded in AOCI. These decreases were partially offset by an increase in net deferred tax asset balances following a re-measurement of deferred tax balances in Switzerland and the release of valuation allowances in Japan and the UK of CHF 207 million.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 2.7 billion as of December 31, 2013 compared to CHF 2.6 billion as of December 31, 2012.

### Amounts and expiration dates of net operating loss carry-forwards

| end of 2013 | Total |
|---|---|
| **Net operating loss carry-forwards (CHF million)** | |
| Due to expire within 1 year | 46 |
| Due to expire within 2 to 5 years | 10,197 |
| Due to expire within 6 to 10 years | 1,152 |
| Due to expire within 11 to 20 years | 1,375 |
| **Amount due to expire** | **12,770** |
| Amount not due to expire | 13,008 |
| **Total net operating loss carry-forwards** | **25,778** |

### Movements in the valuation allowance

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in the valuation allowance (CHF million)** | | | |
| **Balance at beginning of period** | **2,550** | **2,689** | **2,262** |
| Net changes | 154 | (139) | 427 |
| **Balance at end of period** | **2,704** | **2,550** | **2,689** |

### Tax benefits associated with share-based compensation

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Tax benefits associated with share-based compensation (CHF million)** | | | |
| Tax benefits recorded in the consolidated statements of operations | 481 | 596 | 464 |
| Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital | (24) | 30 | (277) |
| Tax benefits in respect of tax on dividend equivalent payments | 22 | 12 | 1 |

▸ Refer to "Note 27 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 0.9 billion and CHF 0.9 billion for 2013 and 2012, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 170 million tax benefit will be recorded in additional paid-in capital.

### Uncertain tax positions

### Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Movements in gross unrecognized tax benefits (CHF million)** | | | |
| **Balance at beginning of period** | **416** | **370** | **578** |
| Increases in unrecognized tax benefits as a result of tax positions taken during a prior period | 4 | 33 | 54 |
| Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period | (8) | (58) | (177) |
| Increases in unrecognized tax benefits as a result of tax positions taken during the current period | 43 | 38 | 29 |
| Decreases in unrecognized tax benefits relating to settlements with tax authorities | 0 | (4) | (65) |
| Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations | (5) | (43) | (19) |
| Other (including foreign currency translation) | (34) | 80 | (30) |
| **Balance at end of period** | **416** | **416** | **370** |
| of which, if recognized, would affect the effective tax rate | 410 | 410 | 364 |

### Interest and penalties

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Interest and penalties (CHF million)** | | | |
| Interest and penalties recognized in the consolidated statements of operations | 6 | (13) | (19) |
| Interest and penalties recognized in the consolidated balance sheets | 64 | 64 | 82 |

Interest and penalties are reported as tax expense. The Bank is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 74 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Switzerland – 2009; Brazil – 2008; Japan – 2008; the UK – 2006; the US – 2006; and the Netherlands – 2005.

▸ Refer to "Note 27 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 27 Employee deferred compensation

### Deferred compensation for employees

▸ Refer to "Note 28 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2013 and prior years that was recognized in the consolidated statements of operations during 2013, 2012 and 2011, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2013 and prior years outstanding as of December 31, 2013 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized.

### Deferred compensation expense

| in | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Deferred compensation expense (CHF million)** | | | |
| Share awards | 806 | 773 | 759 |
| Performance share awards | 580 | 362 | 0 |
| Plus Bond awards [1] | 37 | – | – |
| 2011 Partner Asset Facility awards [2] | 77 | 675 | 0 |
| Adjustable Performance Plan share awards | 30 | 71 | 0 |
| Adjustable Performance Plan cash awards | 4 | 281 | 1,087 |
| Restricted Cash Awards | 145 | 165 | 252 |
| Scaled Incentive Share Units | 38 | 95 | 404 |
| Incentive Share Units [3] | (3) | 62 | 172 |
| 2008 Partner Asset Facility awards [2] | 93 | 173 | 3 |
| Other cash awards | 430 | 363 | 337 |
| Discontinued operations | (21) | (23) | (21) |
| **Total deferred compensation expense** | **2,216** | **2,997** | **2,993** |
| **Total shares delivered (million)** | | | |
| Total shares delivered | 32.6 | 30.9 | 23.7 |

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year vesting period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.
[3] Includes forfeitures.

### Estimated unrecognized deferred compensation

| end of | **2013** |
|---|---|
| **Estimated unrecognized compensation expense (CHF million)** | |
| Share awards | 800 |
| Performance share awards | 219 |
| Plus Bond awards | 18 |
| Adjustable Performance Plan share awards | 10 |
| Adjustable Performance Plan cash awards | 13 |
| Restricted Cash Awards | 136 |
| Other cash awards | 107 |
| **Total** | **1,303** |
| **Aggregate remaining weighted-average requisite service period (years)** | |
| Aggregate remaining weighted-average requisite service period | 1.3 |

Does not include the estimated unrecognized compensation expense relating to grants made in 2014 for 2013.

### Share awards

On January 16, 2014, the Bank granted 30.1 million share awards with a total value of CHF 824 million. The estimated unrecognized compensation expense of CHF 821 million was determined based on the ▹ fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the three-year vesting period, subject to early retirement rules. On January 17, 2013 and January 19, 2012, the Bank granted 37.8 million and 19.7 million share awards with a total value of CHF 947 million and CHF 432 million, respectively, equivalent to the Group's closing share price on the grant date.

On January 16, 2014, the Bank granted 0.5 million blocked shares with a total value of CHF 15 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2013. On January 17, 2013 and January 19, 2012, the Bank granted 0.1 million and 0.4 million blocked shares with a total value of CHF 3 million and CHF 9 million, respectively.

**Share award activities**

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF | Number of share awards in million | Weighted-average grant-date fair value in CHF |
| **Share awards** | | | | | | |
| **Balance at beginning of period** | **55.1** | **34.27** | **47.6** | **41.91** | **17.3** | **43.86** |
| Granted | 40.0 | 26.43 | 24.5 | 23.39 | 39.8 | 41.03 |
| Settled | (19.6) | 34.12 | (14.6) | 40.43 | (7.4) | 43.39 |
| Forfeited | (3.3) | 32.04 | (2.4) | 36.96 | (2.1) | 43.39 |
| **Balance at end of period** | **72.2** | **30.07** | **55.1** | **34.27** | **47.6** | **41.91** |
| of which vested | 5.8 | – | 3.9 | – | 1.8 | – |
| of which unvested | 66.4 | – | 51.2 | – | 45.8 | – |

**Performance share awards**

On January 16, 2014, the Bank granted 23.9 million performance share awards with a total value of CHF 654 million. The estimated unrecognized compensation expense of CHF 651 million was determined based on the fair value of the award at the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the three-year vesting period. On January 17, 2013, and January 19, 2012, the Bank granted 26.0 million and 23.2 million performance share awards with a total value of CHF 651 million and CHF 509 million.

**Performance share award activities**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of performance share awards in million | Weighted-average grant-date fair value in CHF | Number of performance share awards in million | Weighted-average grant-date fair value in CHF |
| **Performance share awards** | | | | |
| **Balance at beginning of period** | **22.9** | **23.90** | **–** | **–** |
| Granted | 26.2 | 26.44 | 23.3 | 23.90 |
| Settled | (7.5) | 23.90 | 0.0 | 0.00 |
| Forfeited | (0.9) | 24.92 | (0.4) | 23.90 |
| **Balance at end of period** | **40.7** | **25.51** | **22.9** | **23.90** |
| of which vested | 2.7 | – | 0.9 | – |
| of which unvested | 38.0 | – | 22.0 | – |

**Contingent Capital Awards**

On January 16, 2014, the Bank awarded Contingent Capital Awards with a total value of CHF 391 million that will be expensed over the three-year period from the grant date. The estimated unrecognized compensation expense of CHF 433 million was determined based on the fair value of the award on the grant date, includes the current estimated outcome of the relevant performance criteria, estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the three-year vesting period.

**2011 Partner Asset Facility**

In January 2012, the Bank awarded 2011 Partner Asset Facility (PAF2) units with a fair value of CHF 497 million and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012.

**Adjustable Performance Plan Awards**

In July 2012, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards. Adjustable Performance Plan holders elected to convert CHF 479 million of their Adjustable Performance Plan cash awards into the new

Adjustable Performance Plan share awards during the election period, which represented an approximate conversion rate of 50%.

Upon conversion, CHF 435 million of the liability related to Adjustable Performance Plan cash awards that were converted into the Adjustable Performance Plan share awards were reclassified to total shareholder's equity.

### Adjustable Performance Plan share award activities

| | 2013 | 2012 |
|---|---|---|
| | Number of APP share awards in million | Number of APP share awards in million |
| Adjustable Performance Plan share awards | | |
| **Balance at beginning of period** | **29.7** | **–** |
| Granted | 1.1 [1] | 29.9 |
| Settled | (16.5) | 0.0 |
| Forfeited | (0.3) | (0.2) |
| **Balance at end of period** | **14.0** | **29.7** |
| of which vested | 1.2 | 0.3 |
| of which unvested | 12.8 | 29.4 |

[1] Represents additional units earned in the first quarter of 2013 as the original Adjustable Performance Plan awards met performance criteria in accordance with the terms and conditions of the awards.

### Scaled Incentive Share Unit

### Scaled Incentive Share Unit activities

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| SISU awards (million) | | | |
| **Balance at beginning of period** | **9.4** | **14.4** | **20.0** |
| Settled | (4.7) | (4.8) | (5.0) |
| Forfeited | (0.1) | (0.2) | (0.6) |
| **Balance at end of period** | **4.6** | **9.4** | **14.4** |
| of which vested | 1.2 | 1.7 | 1.0 |
| of which unvested | 3.4 | 7.7 | 13.4 |

### Incentive Share Unit

### Incentive Share Unit activities

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| ISU awards (million) | | | |
| **Balance at beginning of period** | **3.6** | **13.2** | **37.2** |
| Settled | (1.8) | (8.7) | (23.0) |
| Forfeited | (0.6) | (0.9) | (1.0) |
| **Balance at end of period** | **1.2** | **3.6** | **13.2** |
| of which vested | 0.1 | 0.4 | 1.4 |
| of which unvested | 1.1 | 3.2 | 11.8 |

### Share options

There were no options granted during 2013, 2012 and 2011. As of December 31, 2013, 2012 and 2011, there was no aggregate intrinsic value of options outstanding or exercisable. As of December 31, 2013 and 2012, there was no total intrinsic value of options exercised and the weighted-average remaining contractual term as of December 31, 2013 was 0.7 years. As of the exercise date, the total intrinsic value of options exercised during 2011 was CHF 1 million. There was no cash received from option exercises in 2013 and 2012. Cash received from option exercises during 2011 was CHF 2 million.

### Share option activities

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF | Number of share options in million | Weighted-average exercise price in CHF |
| Share options | | | | | | |
| **Balance at beginning of period** | **5.2** | **32.61** | **16.5** | **50.99** | **28.3** | **63.94** |
| Exercised | 0.0 | 0.00 | 0.0 | 0.00 | (0.1) | 31.74 |
| Forfeited | (0.1) | 70.90 | 0.0 | 0.00 | 0.0 | 0.00 |
| Expired | (4.7) | 30.59 | (11.3) | 59.40 | (11.7) | 82.41 |
| **Balance at end of period** | **0.4** | **50.77** | **5.2** | **32.61** | **16.5** | **50.99** |
| of which exercisable at end of period | 0.4 | 50.77 | 5.2 | 32.61 | 16.5 | 50.99 |

## 28 Related parties

The Group owns all of the Bank's outstanding voting registered shares. The Bank is involved in significant financing and other transactions with subsidiaries and affiliates of the Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

▸ Refer to "Note 29 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Related party assets and liabilities

| end of | 2013 | 2012 |
|---|---|---|
| **Assets (CHF million)** | | |
| Cash and due from banks | 0 | 386 |
| Interest-bearing deposits with banks | 1,870 | 1,775 |
| Trading assets | 159 | 213 |
| Net loans | 6,770 | 7,894 |
| Other assets | 29 | 58 |
| **Total assets** | **8,828** | **10,326** |
| **Liabilities (CHF million)** | | |
| Due to banks/customer deposits | 2,503 | 1,915 |
| Trading liabilities | 14 | 209 |
| Long-term debt | 4,300 | 4,907 |
| Other liabilities | 200 | 206 |
| **Total liabilities** | **7,017** | **7,237** |

### Related party revenues and expenses

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Revenues (CHF million)** | | | |
| Interest and dividend income | 49 | 54 | 61 |
| Interest expense | (81) | (117) | (195) |
| **Net interest income** | **(32)** | **(63)** | **(134)** |
| Commissions and fees | (20) | 6 | (50) |
| Other revenues | 172 | 174 | 201 |
| **Net revenues** | **120** | **117** | **17** |
| **Expenses (CHF million)** | | | |
| **Total operating expenses** | **288** | **270** | **309** |

### Related party guarantees

| end of | 2013 | 2012 |
|---|---|---|
| **Guarantees (CHF million)** | | |
| Credit guarantees and similar instruments | 0 | 1 |
| Performance guarantees and similar instruments | 1 | 0 |
| **Total guarantees** | **1** | **1** |

### Executive Board and Board of Directors loans

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Loans to members of the Executive Board (CHF million)** | | | |
| **Balance at beginning of period** | **8** [1] | **22** | **18** |
| Additions | 4 | 3 | 5 |
| Reductions | (2) | (17) | (1) |
| **Balance at end of period** | **10** [1] | **8** | **22** |
| **Loans to members of the Board of Directors (CHF million)** | | | |
| **Balance at beginning of period** | **41** [2] | **33** | **34** |
| Additions | 16 | 13 | 2 |
| Reductions | (2) | (5) | (3) |
| **Balance at end of period** | **55** [2] | **41** | **33** |

1 The number of individuals with outstanding loans at the beginning and end of the year was three and four, respectively.
2 The number of individuals with outstanding loans at the beginning and end of the year was five.

### Liabilities due to own pension funds

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2013 and 2012 of CHF 2,852 million and CHF 2,804 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

## 29 Pension and other post-retirement benefits

The Bank participates in a defined benefit pension plan sponsored by the Group and has defined contribution pension plans, single-employer defined benefit pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

### DEFINED CONTRIBUTION PENSION PLANS

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2013, 2012 and 2011, the Bank contributed to these plans and recognized as expense CHF 178 million, CHF 219 million and CHF 244 million, respectively.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined contribution pension plans.

### DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

#### Defined benefit pension plans

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined benefit pension plans.

#### Group pension plan

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan), the Group's most significant defined benefit pension plan. The plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the plan, which is set up as an independent trust domiciled in Zurich. Historically, this plan provided traditional defined benefit pensions under the annuity section. In 2010, a new savings section was introduced and as of January 1, 2013, all active employees were transferred to the savings section and the annuity section has ceased accruing new benefits. In the savings section, the benefits are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. In accordance with US GAAP, the Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic benefit costs, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the savings section of the plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2013, 2012 and 2011, the Bank contributed and recognized as expense CHF 390 million, CHF 458 million and CHF 645 million to the Group plan, respectively. The Bank expects to contribute CHF 390 million to the Group plan during 2014. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2013, 2012 and 2011 would have been lower by CHF 131 million, CHF 197 million and CHF 476 million, respectively, and the Bank would have recognized CHF 158 million, CHF 88 million and CHF 96 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2013 and 2012, the ABO of the Group plan was CHF 13.0 billion and CHF 13.8 billion, the PBO was CHF 13.5 billion and CHF 14.3 billion and the fair value of plan assets was CHF 14.9 billion and CHF 14.3 billion, respectively. As of December 31, 2013 and 2012, the Group plan was overfunded on an ABO basis by CHF 1,869 million and CHF 519 million, respectively. On a PBO basis, the Group plan was overfunded by CHF 1,439 million and CHF 44 million as of December 31, 2013 and 2012, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the funded status of the Group plan on a PBO basis of CHF 1,367 million and CHF 42 million as an asset as of December 31, 2013 and 2012, respectively, in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

International pension plans

Various defined benefit pension plans cover the Bank's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the plans depend on age, contributions and salary. The Bank's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

**Other post-retirement defined benefit plans**

In the US, the Bank's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

**Benefit costs of defined benefit plans**

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

**Components of total benefit costs**

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| in | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Total benefit costs (CHF million)** | | | | | | |
| Service costs on benefit obligation | 24 | 30 | 33 | 0 | 1 | 0 |
| Interest costs on benefit obligation | 122 | 127 | 123 | 8 | 8 | 7 |
| Expected return on plan assets | (161) | (164) | (160) | 0 | 0 | 0 |
| Amortization of recognized prior service cost/(credit) | 0 | (1) | 0 | 0 | (2) | (2) |
| Amortization of recognized actuarial losses/(gains) | 79 | 74 | 51 | 13 | 13 | 9 |
| **Total benefit costs** | **64** | **66** | **47** | **21** | **20** | **14** |

Total benefit costs reflected in compensation and benefits – other for 2013, 2012 and 2011 were CHF 85 million, CHF 86 million and CHF 61 million, respectively.

Benefit obligation

The following table shows the changes in the PBO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans as well as the ABO for the defined benefit pension plans.

### Obligations and funded status of the plans

| in / end of | International single-employer defined benefit pension plans 2013 | 2012 | Other post-retirement defined benefit plans 2013 | 2012 |
|---|---|---|---|---|
| **PBO (CHF million)** [1] | | | | |
| **Beginning of the measurement period** | **2,773** | **2,675** | **180** | **174** |
| Service cost | 24 | 30 | 0 | 1 |
| Interest cost | 122 | 127 | 8 | 8 |
| Plan amendments | 0 | 0 | 0 | 0 |
| Settlements | (4) | 0 | 0 | 0 |
| Curtailments | (2) | (12) | 0 | 0 |
| Special termination benefits | 1 | 1 | 0 | 0 |
| Actuarial losses/(gains) | 69 | 70 | (8) | 10 |
| Plans removed | 0 | (6) | 0 | 0 |
| Benefit payments | (97) | (103) | (8) | (8) |
| Exchange rate losses/(gains) | (43) | (9) | (4) | (5) |
| **End of the measurement period** | **2,843** | **2,773** | **168** | **180** |
| **Fair value of plan assets (CHF million)** | | | | |
| **Beginning of the measurement period** | **2,893** | **2,586** | **0** | **0** |
| Actual return on plan assets | 183 | 234 | 0 | 0 |
| Employer contributions | 67 | 158 | 8 | 8 |
| Settlements | (4) | 0 | 0 | 0 |
| Benefit payments | (97) | (103) | (8) | (8) |
| Exchange rate gains/(losses) | (35) | 18 | 0 | 0 |
| **End of the measurement period** | **3,007** | **2,893** | **0** | **0** |
| **Total funded status recognized (CHF million)** | | | | |
| Funded status of the plan – over/(underfunded) | 164 | 120 | (168) | (180) |
| **Funded status recognized in the consolidated balance sheet as of December 31** | **164** | **120** | **(168)** | **(180)** |
| **Total amount recognized (CHF million)** | | | | |
| Noncurrent assets | 520 | 695 | 0 | 0 |
| Current liabilities | (8) | (7) | (8) | (8) |
| Noncurrent liabilities | (348) | (568) | (160) | (172) |
| **Total amount recognized in the consolidated balance sheet as of December 31** | **164** | **120** | **(168)** | **(180)** |
| **ABO (CHF million)** [2] | | | | |
| **End of the measurement period** | **2,785** | **2,714** | **–** | **–** |

1 Including estimated future salary increases.
2 Excluding estimated future salary increases.

The total net amount recognized in the consolidated balance sheets as of December 31, 2013 and 2012 was an underfunding of CHF 4 million and CHF 60 million, respectively.

In 2013 and 2012, the Bank made contributions of CHF 67 million and CHF 158 million, respectively, to the international single-employer defined benefit pension plans. In 2014, the Bank expects to contribute CHF 110 million to the international single-employer defined benefit pension plans and CHF 8 million to other post-retirement defined benefit plans.

#### PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2013 and 2012, respectively.

### Defined benefit pension plans in which PBO or ABO exceeded plan assets

| | PBO exceeds fair value of plan assets [1] | | ABO exceeds fair value of plan assets [1] | |
|---|---|---|---|---|
| December 31 | **2013** | 2012 | **2013** | 2012 |
| **CHF million** | | | | |
| PBO | 1,334 | 1,400 | 1,319 | 1,382 |
| ABO | 1,307 | 1,364 | 1,298 | 1,354 |
| Fair value of plan assets | 978 | 825 | 964 | 810 |

[1] Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

#### Amount recognized in AOCI and other comprehensive income

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

### Amounts recognized in AOCI, net of tax

| | International single-employer defined benefit pension plans | | Other post-retirement defined benefit plans | | | **Total** |
|---|---|---|---|---|---|---|
| end of | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Amounts recognized in AOCI (CHF million)** | | | | | | |
| Actuarial gains/(losses) | (674) | (617) | (40) | (53) | (714) | (670) |
| Prior service credit/(cost) | 0 | 0 | 3 | 3 | 3 | 3 |
| **Total** | **(674)** | **(617)** | **(37)** | **(50)** | **(711)** | **(667)** |

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2013 and 2012, and the amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2014.

### Amounts recognized in other comprehensive income

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | | |
|---|---|---|---|---|---|---|---|
| in | Gross | Tax | Net | Gross | Tax | Net | **Total net** |
| **2013 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | (47) | (62) [1] | (109) | 8 | (3) | 5 | (104) |
| Amortization of actuarial losses/(gains) | 79 | (29) | 50 | 13 | (5) | 8 | 58 |
| Immediate recognition due to curtailment/settlement | 2 | 0 | 2 | 0 | 0 | 0 | 2 |
| **Total amounts recognized in other comprehensive income** | **34** | **(91)** | **(57)** | **21** | **(8)** | **13** | **(44)** |
| **2012 (CHF million)** | | | | | | | |
| Actuarial gains/(losses) | 0 | 0 | 0 | (10) | 4 | (6) | (6) |
| Amortization of actuarial losses/(gains) | 74 | (27) | 47 | 13 | (5) | 8 | 55 |
| Amortization of prior service cost/(credit) | (1) | 1 | 0 | (2) | 1 | (1) | (1) |
| Immediate recognition due to curtailment/settlement | 12 | (2) | 10 | 0 | 0 | 0 | 10 |
| **Total amounts recognized in other comprehensive income** | **85** | **(28)** | **57** | **1** | **0** | **1** | **58** |

[1] Includes the impact from the valuation allowance recognized on deferred tax assets on one of the Bank's entities in the UK, offsetting the tax benefit of CHF 37 million attributable to the UK pension plan.

### Amounts in AOCI, net of tax, expected to be amortized in 2014

| in 2014 | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **CHF million** | | |
| Amortization of actuarial losses/(gains) | 38 | 5 |
| **Total** | **38** | **5** |

## Assumptions

### Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

| | International single-employer defined benefit pension plans | | | Other post-retirement defined benefit plans | | |
|---|---|---|---|---|---|---|
| December 31 | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| **Net periodic benefit cost (%)** | | | | | | |
| Discount rate | 4.5 | 4.8 | 5.5 | 4.3 | 4.7 | 5.5 |
| Salary increases | 4.0 | 4.0 | 4.2 | – | – | – |
| Expected long-term rate of return on plan assets | 6.2 | 6.4 | 7.3 | – | – | – |
| **Benefit obligation (%)** | | | | | | |
| Discount rate | 4.7 | 4.5 | 4.8 | 5.1 | 4.3 | 4.7 |
| Salary increases | 4.3 | 4.0 | 4.0 | – | – | – |

#### Health care cost assumptions

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of health care cost trend rates assumed and the sensitivity of a one percentage point increase or decrease of the rate.

### Health care cost trend rates and sensitivity

| in / end of | **2013** | 2012 | 2011 |
|---|---|---|---|
| **Health care cost trend rate (%)** | | | |
| Annual weighted-average health care cost trend rate [1] | 8.00 | 9.00 | 9.00 |
| **Increase/(decrease) in post-retirement expenses (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 1.3 | 1.4 | 1.3 |
| One percentage point decrease in health care cost trend rates | (1.0) | (1.1) | (1.1) |
| **Increase/(decrease) in post-retirement benefit obligation (CHF million)** | | | |
| One percentage point increase in health care cost trend rates | 23 | 27 | 23 |
| One percentage point decrease in health care cost trend rates | (19) | (22) | (19) |

1 The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2021.

The annual health care cost trend rate used to determine the defined benefit cost for 2014 is 8.00%.

### Plan assets and investment strategy

▸ Refer to “Note 30 – Pension and other post-retirement benefits” in V – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2013 and 2012, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

### Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, for the Bank’s defined benefits plans.

### Plan assets measured at fair value on a recurring basis

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | **Total** |
| **Plan assets at fair value (CHF million)** | | | | | | | | |
| Cash and cash equivalents | 66 | 333 | 0 | 399 | 0 | 394 | 0 | 394 |
| Debt securities | 335 | 1,017 | 177 | 1,529 | 234 | 1,128 | 71 | 1,433 |
| of which governments | 335 | 30 | 0 | 365 | 234 | 8 | 0 | 242 |
| of which corporates | 0 | 987 | 177 | 1,164 | 0 | 1,120 [2] | 71 | 1,191 |
| Equity securities | 172 | 441 | 0 | 613 | 188 | 325 [2] | 0 | 513 |
| Real estate – indirect | 0 | 0 | 94 | 94 | 0 | 0 | 89 | 89 |
| Alternative investments | (23) | 290 | 7 | 274 | 0 | 335 | 34 | 369 |
| of which private equity | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| of which hedge funds | 0 | 264 | 3 | 267 | 0 | 94 [2] | 30 | 124 |
| of which other | (23) [1] | 26 [1] | 4 | 7 | 0 | 241 [1] | 0 | 241 |
| Other investments | 0 | 98 | 0 | 98 | 0 | 95 | 0 | 95 |
| **Total plan assets at fair value** | **550** | **2,179** | **278** | **3,007** | **422** | **2,277** | **194** | **2,893** |

[1] Primarily related to derivative instruments.
[2] Prior period has been corrected to reclassify certain plan assets from equity securities to corporate debt and hedge funds, respectively.

### Plan assets measured at fair value on a recurring basis for level 3

| | | | | Actual return on plan assets | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Transfers in | Transfers out | On assets still held at reporting date | On assets sold during the period | Purchases, sales, settlements | Foreign currency translation impact | **Balance at end of period** |
| **2013 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 71 | 1 | (1) | 5 | 0 | 103 | (2) | 177 |
| Real estate – indirect | 89 | 0 | 0 | 7 | 0 | 0 | (2) | 94 |
| Alternative investments | 34 | 2 | 0 | (5) | 7 | (27) | (4) | 7 |
| of which private equity | 4 | 0 | 0 | (1) | 0 | (3) | 0 | 0 |
| of which hedge funds | 30 | 2 | 0 | (4) | 3 | (28) | 0 | 3 |
| of which other | 0 | 0 | 0 | 0 | 4 | 4 | (4) | 4 |
| **Total plan assets at fair value** | **194** | **3** | **(1)** | **7** | **7** | **76** | **(8)** | **278** |
| **2012 (CHF million)** | | | | | | | | |
| Debt securities – corporates | 90 | 0 | (28) | 9 | 3 | (3) | 0 | 71 |
| Real estate – indirect | 84 | 0 | 0 | 6 | 0 | 1 | (2) | 89 |
| Alternative investments | 90 | 0 | 0 | 0 | 3 | (56) | (3) | 34 |
| of which private equity | 9 | 0 | 0 | (1) | 2 | (6) | 0 | 4 |
| of which hedge funds | 81 | 0 | 0 | 1 | 1 | (50) | (3) | 30 |
| **Total plan assets at fair value** | **264** | **0** | **(28)** | **15** | **6** | **(58)** | **(5)** | **194** |

### Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

#### Weighted-average plan asset allocation

| December 31 | **2013** | 2012 |
|---|---|---|
| **Weighted-average plan asset allocation (%)** | | |
| Cash and cash equivalents | 13.3 | 13.6 |
| Debt securities | 50.7 | 49.5 [1] |
| Equity securities | 20.4 | 17.8 [1] |
| Real estate | 3.1 | 3.1 |
| Alternative investments | 9.2 | 12.7 [1] |
| Insurance | 3.3 | 3.3 |
| **Total** | **100.0** | **100.0** |

[1] Prior period has been corrected to reclassify certain plan assets from equity securities to debt securities and alternative investments, respectively.

The following table shows the target plan asset allocation for 2014 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2014.

#### Weighted-average target plan asset allocation for 2014

| | |
|---|---|
| **2014 (%)** | |
| Cash and cash equivalents | 0 |
| Debt securities | 59 |
| Equity securities | 25 |
| Real estate | 3 |
| Alternative investments | 10 |
| Insurance | 3 |
| **Total** | **100** |

### Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

#### Estimated future benefit payments for defined benefit plans

| | International single-employer defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| **Estimated future benefit payments (CHF million)** | | |
| 2014 | 64 | 8 |
| 2015 | 73 | 9 |
| 2016 | 74 | 10 |
| 2017 | 80 | 10 |
| 2018 | 96 | 11 |
| For five years thereafter | 615 | 59 |

## 30 Derivatives and hedging activities

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Hedge accounting

#### Cash flow hedges

As of the end of 2013, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was three years.

### Fair value of derivative instruments

| | | | Trading | | | Hedging [1] |
|---|---|---|---|---|---|---|
| end of 2013 | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) | Notional amount | Positive replacement value (PRV) | Negative replacement value (NRV) |
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 9,366.2 | 2.5 | 2.6 | 0.0 | 0.0 | 0.0 |
| Swaps | 30,593.2 | 399.7 | 393.7 | 63.7 | 2.7 | 0.6 |
| Options bought and sold (OTC) | 3,889.5 | 44.3 | 44.9 | 0.0 | 0.0 | 0.0 |
| Futures | 830.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 705.9 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **45,385.6** | **446.8** | **441.4** | **63.7** | **2.7** | **0.6** |
| Forwards | 2,098.6 | 21.6 | 21.5 | 30.5 | 0.3 | 0.1 |
| Swaps | 1,382.2 | 28.8 | 39.2 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 815.6 | 10.7 | 11.6 | 9.4 | 0.0 | 0.0 |
| Futures | 48.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 5.5 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,350.7** | **61.2** | **72.5** | **39.9** | **0.3** | **0.1** |
| Forwards | 4.0 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 236.1 | 5.4 | 8.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 225.7 | 12.4 | 12.1 | 0.0 | 0.0 | 0.0 |
| Futures | 50.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 416.2 | 17.0 | 17.2 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **932.6** | **35.5** | **37.4** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [2] | **1,483.3** | **26.8** | **27.2** | **0.0** | **0.0** | **0.0** |
| Forwards | 19.2 | 0.7 | 1.1 | 0.0 | 0.0 | 0.0 |
| Swaps | 45.5 | 2.9 | 2.5 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 35.1 | 1.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| Futures | 31.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 48.9 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 |
| **Other products** [3] | **179.8** | **5.4** | **5.5** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **52,332.0** | **575.7** | **584.0** | **103.6** | **3.0** | **0.7** |

The notional amount, PRV and NRV (trading and hedging) was CHF 52,435.6 billion, CHF 578.7 billion and CHF 584.7 billion, respectively, as of December 31, 2013.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Primarily credit default swaps.

3 Primarily precious metals, commodity, energy and emission products.

## Fair value of derivative instruments (continued)

| end of 2012 | Trading Notional amount | Trading Positive replacement value (PRV) | Trading Negative replacement value (NRV) | Hedging [1] Notional amount | Hedging [1] Positive replacement value (PRV) | Hedging [1] Negative replacement value (NRV) |
|---|---|---|---|---|---|---|
| **Derivative instruments (CHF billion)** | | | | | | |
| Forwards and forward rate agreements | 8,055.9 | 2.6 | 2.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 29,159.0 | 635.8 | 630.1 | 58.0 | 3.8 | 1.3 |
| Options bought and sold (OTC) | 3,739.9 | 62.4 | 62.6 | 0.0 | 0.0 | 0.0 |
| Futures | 1,145.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 952.0 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **43,052.2** | **701.1** | **695.4** | **58.0** | **3.8** | **1.3** |
| Forwards | 2,134.1 | 21.6 | 21.3 | 19.6 | 0.2 | 0.1 |
| Swaps | 1,336.4 | 32.1 | 46.6 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 985.3 | 9.7 | 10.7 | 0.0 | 0.0 | 0.0 |
| Futures | 83.8 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **4,543.2** | **63.4** | **78.6** | **19.6** | **0.2** | **0.1** |
| Forwards | 5.5 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 211.1 | 4.5 | 5.9 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 215.1 | 11.5 | 11.1 | 0.0 | 0.0 | 0.0 |
| Futures | 74.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 338.2 | 13.7 | 14.1 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **844.3** | **30.3** | **31.1** | **0.0** | **0.0** | **0.0** |
| **Credit derivatives** [3] | **1,694.5** | **30.6** | **29.8** | **0.0** | **0.0** | **0.0** |
| Forwards | 31.3 | 1.1 | 1.4 | 0.0 | 0.0 | 0.0 |
| Swaps | 55.3 | 3.6 | 3.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 54.2 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Futures | 35.5 [2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (exchange-traded) | 50.4 | 1.6 | 1.7 | 0.0 | 0.0 | 0.0 |
| **Other products** [4] | **226.7** | **7.9** | **7.8** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **50,360.9** | **833.3** | **842.7** | **77.6** | **4.0** | **1.4** |

The notional amount, PRV and NRV (trading and hedging) was CHF 50,438.5 billion, CHF 837.3 billion and CHF 844.1 billion, respectively, as of December 31, 2012.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Prior period amounts have been corrected to reclassify the notional amounts from other products to foreign exchange products.

3 Primarily credit default swaps.

4 Primarily precious metals, commodity, energy and emission products.

### Fair value hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in income on derivatives (CHF million)** | | | |
| Interest rate products | 378 | 849 | 634 |
| Foreign exchange products | (9) | (13) | 20 |
| **Total** | **369** | **836** | **654** |
| **Gains/(losses) recognized in income on hedged items (CHF million)** | | | |
| Interest rate products | (375) | (894) | (672) |
| Foreign exchange products | 9 | 13 | (20) |
| **Total** | **(366)** | **(881)** | **(692)** |
| **Details of fair value hedges (CHF million)** | | | |
| Net gains/(losses) on the ineffective portion | 3 | (45) | (38) |

Represents gains/(losses) recognized in trading revenues.

### Cash flow hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Interest rate products | 7 | 8 | 0 |
| Foreign exchange products | 0 | 0 | (5) |
| **Total** | **7** | **8** | **(5)** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Interest rate products [1] | 3 | 0 | 0 |
| Foreign exchange products [2] | 0 | 0 | 31 |
| **Total** | **3** | **0** | **31** |
| **Details of cash flow hedges (CHF million)** | | | |
| Net gains on the ineffective portion [1] | 1 | 0 | 0 |

1 Included in trading revenues.
2 Included in commissions and fees.

The net gain associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 6 million.

### Net investment hedges

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains/(losses) recognized in AOCI on derivatives (CHF million)** | | | |
| Foreign exchange products | 504 | (81) | 280 |
| **Total** | **504** | **(81)** | **280** |
| **Gains/(losses) reclassified from AOCI into income (CHF million)** | | | |
| Foreign exchange products [1] | 2 | 75 | 4 |
| **Total** | **2** | **75** | **4** |

Represents gains/(losses) on effective portion.
1 Included in other revenues.

The Bank includes all derivative instruments not included in hedge accounting relationships in its trading activities.

▸ Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

**Disclosures relating to contingent credit risk**
The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch and a two-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the NRV and a percentage of the notional value of the derivative.

### Contingent credit risk

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| end of | Bilateral counterparties | Special purpose entities | Accelerated terminations | Total | Bilateral counterparties | Special purpose entities | Accelerated terminations | Total |
| **Contingent credit risk (CHF billion)** | | | | | | | | |
| Current net exposure | 11.7 | 1.1 | 0.1 | **12.9** | 15.3 | 1.4 | 0.6 | **17.3** |
| Collateral posted | 10.6 | 1.2 | – | **11.8** | 13.4 | 1.4 | – | **14.8** |
| Additional collateral required in a one-notch downgrade event | 0.6 | 0.8 | 0.0 | **1.4** | 0.2 | 0.5 | 0.0 | **0.7** |
| Additional collateral required in a two-notch downgrade event | 2.3 | 1.1 | 0.0 | **3.4** | 2.7 [1] | 1.5 | 0.5 | **4.7** |

1 Additional collateral required in a two-notch downgrade event has been corrected.

### Credit derivatives

▸ Refer to "Note 31 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

**Credit protection sold/purchased**
The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative

as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Certain cash collateralized debt obligations (CDOs) and other instruments were excluded as they do not fall within the scope of US GAAP rules. Total return swaps (TRS) of CHF 7.4 billion and CHF 6.0 billion as of December 31, 2013 and 2012, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

### Credit protection sold/purchased

| | **2013** | | | | | 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| end of | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold | Credit protection sold | Credit protection purchased [1] | Net credit protection (sold)/ purchased | Other protection purchased | Fair value of credit protection sold |
| **Single-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (305.9) | 287.9 | (18.0) | 37.7 | 5.2 | (394.6) | 373.9 | (20.7) | 56.0 | 2.5 |
| Non-investment grade | (108.7) | 104.9 | (3.8) | 10.5 | 2.5 | (135.4) | 129.3 | (6.1) | 11.3 | (0.4) |
| **Total single-name instruments** | **(414.6)** | **392.8** | **(21.8)** | **48.2** | **7.7** | **(530.0)** [3] | **503.2** [3] | **(26.8)** | **67.3** [3] | **2.1** [3] |
| of which sovereign | (88.1) | 85.0 | (3.1) | 8.9 | (0.4) | (119.4) | 117.1 | (2.3) | 10.3 | (0.7) |
| of which non-sovereign | (326.5) | 307.8 | (18.7) | 39.3 | 8.1 | (410.6) | 386.1 | (24.5) | 57.0 | 2.8 |
| **Multi-name instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (219.1) | 212.1 | (7.0) | 47.3 | 3.3 | (222.2) | 207.1 | (15.1) | 20.6 | (0.7) |
| Non-investment grade | (65.0) | 59.0 [4] | (6.0) | 13.5 | 1.5 | (62.8) | 56.1 [4] | (6.7) | 9.8 | (1.6) |
| **Total multi-name instruments** | **(284.1)** | **271.1** | **(13.0)** | **60.8** | **4.8** | **(285.0)** [3] | **263.2** [3] | **(21.8)** | **30.4** [3] | **(2.3)** [3] |
| of which sovereign | (10.8) | 10.9 | 0.1 | 1.1 | 0.0 | (13.5) | 13.1 | (0.4) | 0.4 | (0.1) |
| of which non-sovereign | (273.3) | 260.2 | (13.1) | 59.7 | 4.8 | (271.5) | 250.1 | (21.4) | 30.0 | (2.2) |
| **Total instruments (CHF billion)** | | | | | | | | | | |
| Investment grade [2] | (525.0) | 500.0 | (25.0) | 85.0 | 8.5 | (616.8) | 581.0 | (35.8) | 76.6 | 1.8 |
| Non-investment grade | (173.7) | 163.9 | (9.8) | 24.0 | 4.0 | (198.2) | 185.4 | (12.8) | 21.1 | (2.0) |
| **Total instruments** | **(698.7)** | **663.9** | **(34.8)** | **109.0** | **12.5** | **(815.0)** | **766.4** | **(48.6)** | **97.7** | **(0.2)** |
| of which sovereign | (98.9) | 95.9 | (3.0) | 10.0 | (0.4) | (132.9) | 130.2 | (2.7) | 10.7 | (0.8) |
| of which non-sovereign | (599.8) | 568.0 | (31.8) | 99.0 | 12.9 | (682.1) | 636.2 | (45.9) | 87.0 | 0.6 |

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Credit protection instruments have been corrected to reclassify certain single-name instruments to multi-name instruments.
4 Includes the Clock Finance transaction.

The following table reconciles the notional amount of credit derivatives included in the table "Fair value of derivative instruments" to the table "Credit protection sold/purchased".

### Credit derivatives

| end of | **2013** | 2012 |
|---|---|---|
| **Credit derivatives (CHF billion)** | | |
| Credit protection sold | 698.7 | 815.0 |
| Credit protection purchased | 663.9 | 766.4 |
| Other protection purchased | 109.0 | 97.7 |
| Other instruments [1] | 11.7 | 15.4 |
| **Total credit derivatives** | **1,483.3** | **1,694.5** |

1 Consists of certain cash collateralized debt obligations, total return swaps and other derivative instruments.

### Maturity of credit protection sold

| end of | Maturity less than 1 year | Maturity between 1 to 5 years | Maturity greater than 5 years | **Total** |
|---|---|---|---|---|
| **2013 (CHF billion)** | | | | |
| Single-name instruments | 91.2 | 281.4 | 42.0 | 414.6 |
| Multi-name instruments | 19.2 | 208.2 | 56.7 | 284.1 |
| **Total instruments** | **110.4** | **489.6** | **98.7** | **698.7** |
| **2012 (CHF billion)** | | | | |
| Single-name instruments | 125.0 | 326.0 | 79.0 | 530.0 |
| Multi-name instruments | 42.7 | 171.0 | 71.3 | 285.0 |
| **Total instruments** | **167.7** | **497.0** | **150.3** | **815.0** |

## 31 Guarantees and commitments

### Guarantees

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Carrying value | Collateral received |
|---|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments | 2,820 | 1,125 | 396 | 569 | 4,910 | 4,762 | 34 | 2,330 |
| Performance guarantees and similar instruments | 4,337 | 1,733 | 981 | 136 | 7,187 | 6,265 | 83 | 3,277 |
| Securities lending indemnifications | 11,479 | 0 | 0 | 0 | 11,479 | 11,479 | 0 | 11,479 |
| Derivatives [2] | 18,247 | 9,544 | 1,960 | 1,899 | 31,650 | 31,650 | 715 | – [3] |
| Other guarantees | 3,894 | 811 | 193 | 193 | 5,091 | 5,068 | 3 | 2,606 |
| **Total guarantees** | **40,777** | **13,213** | **3,530** | **2,797** | **60,317** | **59,224** | **835** | **19,692** |
| **2012 (CHF million)** | | | | | | | | |
| Credit guarantees and similar instruments [4] | 10,101 | 1,541 | 334 | 606 | 12,582 | 12,195 | 53 | 1,918 |
| Performance guarantees and similar instruments | 5,047 | 1,599 | 951 | 1,750 | 9,347 | 8,608 | 135 | 3,307 |
| Securities lending indemnifications | 12,211 | 0 | 0 | 0 | 12,211 | 12,211 | 0 | 12,211 |
| Derivatives [2] | 21,197 | 9,951 | 1,833 | 2,434 | 35,415 | 35,415 | 985 | – [3] |
| Other guarantees | 4,172 | 684 | 281 | 144 | 5,281 | 5,260 | 3 | 2,789 |
| **Total guarantees** | **52,728** | **13,775** | **3,399** | **4,934** | **74,836** | **73,689** | **1,176** | **20,225** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.
[4] Prior period has been corrected.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2013 to June 30, 2014 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### PAF2 transaction

The Bank's results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of the Bank. In the first quarter of 2012, the Bank entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covered approximately USD 12 billion notional amount of expected positive exposure from counterparties of the Bank, and was addressed in three layers: (i) first loss (USD 0.5 billion), (ii) mezzanine (USD 0.8 billion) and (iii) senior (USD 11 billion). The first loss element was retained by the Bank and actively managed through normal credit procedures. The mezzanine layer was hedged by transferring the risk of default and counterparty credit spread movements to eligible employees in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process.

The model used to value the PAF2 awards is the standard Gaussian copula valuation model used for synthetic CDO trades with adjustments necessary to incorporate the specific nature of the PAF2 transaction. The key model inputs are notional value, correlation assumption, credit spreads, liquidity and recovery rates of the portfolio, the Bank's own credit spread and the maturity of the trade. In the model, the credit spreads of the counterparties determine the respective probability of default. Such probability is used to compute the expected value of the cash flows contingent on survival and on default of the counterparties in the reference portfolio. The credit spreads are sourced using observable data from CDS on the specific reference entity. Where a specific reference entity curve does not exist for a reference name in the portfolio, a proxy curve is used. The expected value of the counterparty exposure on default determines the equivalent notional value for the given name. This is computed from the effective positive exposure which is the weighted average over time of the expected exposure used by the Bank for counterparty risk management. As of December 31, 2013, the carrying value of the PAF2 awards was CHF 649 million. The amount of the PAF2 awards compensation expense for 2013 was CHF 83 million and is included in the amount reflected in the “Deferred compensation expense” table in Note 27 – Employee deferred compensation, which includes deferred compensation expense for a smaller plan unrelated to the hedging aspects of this transaction.

The Bank had purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a credit default swap (CDS), accounted for at fair value, with a third-party entity. The value of the senior layer was calculated using the same model as for the PAF2 awards. The Bank also had a credit support facility with this entity that allowed the Bank to provide credit support in connection with other assets that are commonly financed through the issuance of commercial paper (CP) and, in connection with the CDS, to provide immediately available funding to this entity in certain circumstances. Among others, such circumstances included: (i) a disruption of the CP market such that the entity could not issue or roll a CP to fund the CDS payment or repay a maturing CP; (ii) the interest payable on the CP exceeded certain thresholds and the Bank instructed the entity to draw on the facility instead of issuing a CP; (iii) a CP was issued by the entity to fund a CDS payment and subsequently the short-term rating of the facility provider was downgraded; or (iv) to repay any outstanding CP at the maturity date of the facility. Any funded amount could be settled by the assignment of the rights and obligations of the CDS to the Bank. The credit support facility was accounted for on an accrual basis.

In December 2012, the ⊳ Basel Committee on Banking Supervision (BCBS) published updated regulatory guidance that made the PAF2 transaction as it was structured ineligible for counterparty credit spread hedging under the ⊳ Basel III framework. As a result of this new guidance, the Bank had the right to exercise a regulatory call to restructure or terminate the CDS and the credit support facility layer at par and terminate the mezzanine layer at fair value. In October 2013, the Bank exercised the call to terminate the CDS and the credit support facility at par.

As of December 31, 2013, the mezzanine layer in the form of PAF2 awards remained in place. In February 2014, the Bank terminated the PAF2 awards and exchanged them at fair value for other compensation awards in the form of either Contingent Capital Awards or for an interest in a fund at the discretion of the award holders.

▸ Refer to “Note 27 – Employee deferred compensation” for further information.

**Representations and warranties on residential mortgage loans sold**

In connection with Investment Banking’s sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

▸ Refer to “Note 32 – Guarantees and commitments” in V – Consolidated financial statements – Credit Suisse Group for further information.

With respect to its outstanding repurchase claims, the Bank is unable to estimate reasonably possible losses in excess of the amounts accrued because of the heterogeneity of its portfolio, the complexity of legal and factual determinations related to each claim, the limited amount of discovery and/or other factors.

The following tables present the total amount of residential mortgage loans sold during the period from January 1, 2004 to December 31, 2013 by counterparty type and the development of outstanding repurchase claims and provisions for outstanding repurchase claims in 2013 and 2012, including realized losses from the repurchase of residential mortgage loans sold.

**Residential mortgage loans sold**

| January 1, 2004 to December 31, 2013 (USD billion) | |
|---|---|
| Government-sponsored enterprises | 8.2 |
| Private investors [1] | 23.5 |
| Non-agency securitizations | 133.8 [2] |
| **Total** | **165.5** |

[1] Primarily banks.
[2] The outstanding balance of residential mortgage loans sold was USD 26.2 billion as of December 31, 2013. The difference of the total balance of mortgage loans sold and the outstanding balance as of December 31, 2013 was attributable to borrower payments of USD 88.9 billion and losses of USD 18.7 billion due to loan defaults.

### Residential mortgage loans sold – outstanding repurchase claims

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Government-sponsored enterprises | Private investors | Non-agency securiti-zations | Total | Government-sponsored enterprises | Private investors | Non-agency securiti-zations | Total |
| **Outstanding repurchase claims (USD million)** | | | | | | | | |
| **Balance at beginning of period** | **67** | **464** | **1,395** | **1,926** | **68** | **432** | **243** | **743** |
| New claims | 69 | 139 | 1,039 | 1,247 | 58 | 57 | 2,032 | 2,147 |
| Claims settled through repurchases | (4) | (1) | (2) | (7) [1] | (7) | 0 | (7) | (14) [1] |
| Other settlements | (31) | (178) | (7) | (216) [2] | (15) | (7) | (32) | (54) [2] |
| Total claims settled | (35) | (179) | (9) | (223) | (22) | (7) | (39) | (68) |
| Claims rescinded | (24) | (4) | 0 | (28) | (37) | (18) | 0 | (55) |
| Transfers to/from arbitration and litigation, net [3] | 0 | 0 | (2,342) [4] | (2,342) | 0 | 0 | (841) | (841) |
| **Balance at end of period** | **77** | **420** | **83** | **580** | **67** | **464** | **1,395** | **1,926** |

1 Settled at a repurchase price of USD 6 million and USD 15 million in 2013 and 2012, respectively.
2 Settled at USD 48 million and USD 41 million in 2013 and 2012, respectively.
3 Refer to "Note 36 – Litigation" for repurchase claims that are in arbitration or litigation.
4 Transfers to arbitration and litigation disclosed in 2013 include portfolios of claims of approximately USD 0.3 billion for which formal legal proceedings had commenced in prior periods.

### Provisions for outstanding repurchase claims

| | 2013 | 2012 |
|---|---|---|
| **Provisions for outstanding repurchase claims (USD million) [1]** | | |
| **Balance at beginning of period** | **55** | **59** |
| Increase/(decrease) in provisions, net | 145 | 52 |
| Realized losses [2] | (54) [3] | (56) [4] |
| **Balance at end of period** | **146** [3] | **55** [5] |

1 Excludes provisions for repurchase claims related to residential mortgage loans sold that are in arbitration or litigation. Refer to "Note 36 – Litigation" for further information.
2 Includes indemnifications paid to resolve loan repurchase claims.
3 Primarily related to government-sponsored enterprises and private investors.
4 Primarily related to government-sponsored enterprises and non-agency securitizations.
5 Primarily related to government-sponsored enterprises.

### Lease commitments

| | |
|---|---|
| **Lease commitments (CHF million)** | |
| 2014 | 579 |
| 2015 | 526 |
| 2016 | 473 |
| 2017 | 412 |
| 2018 | 365 |
| Thereafter | 3,062 |
| **Future operating lease commitments** | **5,417** |
| Less minimum non-cancellable sublease rentals | 171 |
| **Total net future minimum lease commitments** | **5,246** |

### Rental expense for operating leases

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Rental expense for operating leases (CHF million)** | | | |
| Minimum rental expense | 642 | 629 | 549 |
| Sublease rental income | (85) | (97) | (96) |
| **Total net expenses for operating leases** | **557** | **532** | **453** |

## Operating lease commitments

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Sale-leaseback transactions

In the first quarter of 2012, the Bank sold the office complex of its European headquarters at One Cabot Square in London to OCS Investment S.à.r.l. and leased back this property under an operating lease arrangement for 22 years, with two options to extend the lease by five years each. OCS Investment S.à.r.l. is a company wholly owned by the Qatar Investment Authority, which is a minority shareholder of the Group.

In the fourth quarter of 2012, the Bank sold the Uetlihof office complex in Zurich, the Bank's principal office building worldwide, to Norges Bank, a minority shareholder of the Group, and leased back this property under an operating lease arrangement for 25 years, with the option to extend the lease by up to 15 years. Norges Bank, through its Investment Management unit, was acting as the buyer on behalf of the Norwegian Government Pension Fund Global.

During 2013 and 2012, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with lease terms of between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 78 million for the 2013 sale-leaseback transactions and CHF 41 million for the 2012 sale-leaseback transactions.

## Other commitments

| end of | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | **Total gross amount** | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 5,478 | 27 | 1 | 0 | 5,506 | 5,446 | 3,380 |
| Irrevocable loan commitments | 27,154 | 26,852 | 35,326 | 7,483 | 96,815 [2] | 92,557 | 47,995 |
| Forward reverse repurchase agreements | 26,893 | 0 | 0 | 0 | 26,893 | 26,893 | 26,893 |
| Other commitments | 2,436 | 1,020 | 103 | 286 | 3,845 | 3,845 | 351 |
| **Total other commitments** | **61,961** | **27,899** | **35,430** | **7,769** | **133,059** | **128,741** | **78,619** |
| **2012 (CHF million)** | | | | | | | |
| Irrevocable commitments under documentary credits | 6,210 | 35 | 6 | 0 | 6,251 | 6,054 | 3,219 |
| Irrevocable loan commitments | 32,632 | 23,610 | 37,790 | 6,022 | 100,054 [2] | 94,582 | 32,759 |
| Forward reverse repurchase agreements | 45,556 | 0 | 0 | 0 | 45,556 | 45,556 | 45,556 |
| Other commitments | 906 | 863 | 171 | 575 | 2,515 | 2,515 | 131 |
| **Total other commitments** | **85,304** | **24,508** | **37,967** | **6,597** | **154,376** | **148,707** | **81,665** |

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 87,161 million and CHF 75,832 million of unused credit limits as of December 31, 2013 and 2012, respectively, which were revocable at the Bank's sole discretion upon notice to the client. The prior period has been adjusted to the current presentation.

▸ Refer to "Note 32 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 32 Transfers of financial assets and variable interest entities

### Transfers of financial assets

#### Securitizations

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2013, 2012 and 2011 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

**Securitizations**

| in | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Gains and cash flows (CHF million)** | | | |
| **CMBS** | | | |
| Net gain [1] | 4 | 56 | 6 |
| Proceeds from transfer of assets | 5,574 | 6,156 | 974 |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 70 | 57 | 205 |
| **RMBS** | | | |
| Net gain/(loss) [1] | (8) | 3 | 65 |
| Proceeds from transfer of assets | 24,523 | 15,143 | 30,695 |
| Purchases of previously transferred financial assets or its underlying collateral | (10) | (25) | (4) |
| Servicing fees | 4 | 3 | 3 |
| Cash received on interests that continue to be held | 486 | 554 | 382 |
| **Other asset-backed financings** | | | |
| Net gain [1] | 15 | 83 | 24 |
| Proceeds from transfer of assets | 915 | 591 | 1,268 |
| Purchases of previously transferred financial assets or its underlying collateral [2] | (213) | (621) | (256) |
| Servicing fees | 0 | 0 | 1 |
| Cash received on interests that continue to be held | 633 | 1,350 | 701 |

1 Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
2 Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

#### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of the end of 2013 and 2012, regardless of when the transfer of assets occurred.

**Principal amounts outstanding and total assets of SPEs resulting from continuing involvement**

| end of | 2013 | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Principal amount outstanding | 37,308 | 30,050 |
| Total assets of SPE | 48,715 | 45,407 |
| **RMBS** | | |
| Principal amount outstanding | 45,571 | 58,112 |
| Total assets of SPE | 48,741 | 60,469 |
| **Other asset-backed financings** | | |
| Principal amount outstanding | 27,854 | 32,805 |
| Total assets of SPE | 27,854 | 32,805 |

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

#### Fair value of beneficial interests

The fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

### Key economic assumptions at the time of transfer

▸ Refer to "Note 33 – Financial instruments" for further information on fair value hierarchy.

#### Key economic assumptions used in measuring fair value of beneficial interests at time of transfer

| | | 2013 | | 2012 |
|---|---|---|---|---|
| at time of transfer | CMBS | RMBS | CMBS | RMBS |
| **CHF million, except where indicated** | | | | |
| Fair value of beneficial interests | 633 | 2,993 | 761 | 2,219 |
| of which level 2 | 476 | 2,879 | 654 | 2,090 |
| of which level 3 | 156 | 114 | 107 | 129 |
| Weighted-average life, in years | 7.3 | 7.7 | 8.4 | 5.0 |
| Prepayment speed assumption (rate per annum), in % [1] | – [2] | 2.0–31.0 | – [2] | 0.1–34.9 |
| Cash flow discount rate (rate per annum), in % [3] | 1.6–11.6 | 0.0–45.9 | 0.8–10.7 | 0.1–25.7 |
| Expected credit losses (rate per annum), in % | 0.0–7.5 | 0.0–45.8 | 0.5–9.0 | 0.0–25.1 |

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

[1] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

[2] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

[3] The rate was based on the weighted-average yield on the beneficial interests.

### Sensitivity analysis

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of the end of 2013 and 2012.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| end of | CMBS [1] | RMBS | Other asset-backed financing activities [2] | CMBS [1] | RMBS | Other asset-backed financing activities [2] |
| **CHF million, except where indicated** | | | | | | |
| Fair value of beneficial interests | 1,132 | 2,354 | 284 | 274 | 1,929 | 692 |
| of which non-investment grade | 26 | 359 | 204 | 90 | 342 | 686 |
| Weighted-average life, in years | 6.5 | 8.6 | 3.7 | 4.0 | 5.2 | 3.6 |
| Prepayment speed assumption (rate per annum), in % [3] | – | 1.0–23.5 | – | – | 0.1–27.6 | – |
| Impact on fair value from 10% adverse change | – | (26.6) | – | – | (38.5) | – |
| Impact on fair value from 20% adverse change | – | (48.6) | – | – | (74.3) | – |
| Cash flow discount rate (rate per annum), in % [4] | 1.1–37.1 | 1.7–22.4 | 1.0–23.1 | 1.1–50.2 | 0.2–42.8 | 0.7–51.7 |
| Impact on fair value from 10% adverse change | (25.5) | (65.0) | (2.4) | (14.8) | (62.8) | (1.0) |
| Impact on fair value from 20% adverse change | (50.0) | (124.9) | (4.9) | (19.9) | (93.5) | (1.8) |
| Expected credit losses (rate per annum), in % | 0.2–36.6 | 0.1–17.3 | 0.7–21.0 | 0.9–49.5 | 0.9–42.8 | 0.3–51.4 |
| Impact on fair value from 10% adverse change | (10.9) | (42.2) | (0.4) | (14.4) | (55.9) | (0.8) |
| Impact on fair value from 20% adverse change | (21.5) | (79.6) | (0.7) | (19.2) | (80.3) | (1.6) |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
[2] CDOs within this category are generally structured to be protected from prepayment risk.
[3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2% thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
[4] The rate was based on the weighted-average yield on the beneficial interests.

### Secured borrowings

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of the end of 2013 and 2012.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

| end of | 2013 | 2012 |
|---|---|---|
| **CHF million** | | |
| **CMBS** | | |
| Other assets | 432 | 467 |
| Liability to SPE, included in Other liabilities | (432) | (467) |
| **Other asset-backed financings** | | |
| Trading assets | 216 | 1,171 |
| Other assets | 157 | 913 |
| Liability to SPE, included in Other liabilities | (373) | (2,084) |

## Variable interest entities

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Consolidated VIEs

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

### Consolidated VIEs in which the Bank was the primary beneficiary

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | CP Conduit | Securi- tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | | |
| Cash and due from banks | 702 | 1 | 2 | 100 | 87 | 60 | 952 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 1,959 | 0 | 0 | 0 | 0 | 1,959 |
| Trading assets | 869 | 51 | 3 | 1,687 | 665 | 335 | 3,610 |
| Investment securities | 0 | 100 | 0 | 0 | 0 | 0 | 100 |
| Other investments | 0 | 0 | 0 | 0 | 1,491 | 492 | 1,983 |
| Net loans | 0 | 2,012 | 885 | 0 | 779 | 531 | 4,207 |
| Premises and equipment | 0 | 0 | 0 | 0 | 415 | 66 | 481 |
| Other assets | 7,516 | 1,473 | 3,353 | 0 | 307 | 1,680 | 14,329 |
| of which loans held-for-sale | 7,479 | 0 | 3,093 | 0 | 56 | 0 | 10,628 |
| **Total assets of consolidated VIEs** | **9,087** | **5,596** | **4,243** | **1,787** | **3,744** | **3,164** | **27,621** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 265 | 265 |
| Trading liabilities | 9 | 0 | 0 | 0 | 8 | 76 | 93 |
| Short-term borrowings | 0 | 4,280 | 0 | 7 | 0 | (1) | 4,286 |
| Long-term debt | 9,067 | 17 | 3,187 | 179 | 93 | 449 | 12,992 |
| Other liabilities | 34 | 16 | 67 | 2 | 152 | 439 | 710 |
| **Total liabilities of consolidated VIEs** | **9,110** | **4,313** | **3,254** | **188** | **253** | **1,228** | **18,346** |
| **2012 (CHF million)** | | | | | | | |
| Cash and due from banks | 1,534 | 27 | 0 | 125 | 44 | 20 | 1,750 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 117 | 0 | 0 | 0 | 0 | 117 |
| Trading assets | 1,064 | 196 | 14 | 1,861 | 565 | 997 | 4,697 |
| Investment securities | 0 | 23 | 0 | 0 | 0 | 0 | 23 |
| Other investments | 0 | 0 | 0 | 0 | 1,712 | 577 | 2,289 |
| Net loans | 0 | 4,360 | 859 | 0 | 405 | 429 | 6,053 |
| Premises and equipment | 0 | 0 | 0 | 0 | 474 | 72 | 546 |
| Other assets | 7,369 | 1,637 | 3,111 | 4 | 571 | 1,816 | 14,508 |
| of which loans held-for-sale | 7,324 | 0 | 3,110 | 0 | 71 | 0 | 10,505 |
| **Total assets of consolidated VIEs** | **9,967** | **6,360** | **3,984** | **1,990** | **3,771** | **3,911** | **29,983** |
| Customer deposits | 0 | 0 | 0 | 0 | 0 | 247 | 247 |
| Trading liabilities | 20 | 0 | 0 | 0 | 4 | 101 | 125 |
| Short-term borrowings | 0 | 5,776 | 0 | 3 | 0 | 0 | 5,779 |
| Long-term debt | 9,944 | 14 | 3,608 | 500 | 38 | 428 | 14,532 |
| Other liabilities | 45 | 6 | 97 | 7 | 167 | 842 | 1,164 |
| **Total liabilities of consolidated VIEs** | **10,009** | **5,796** | **3,705** | **510** | **209** | **1,618** | **21,847** |

### Non-consolidated VIEs

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

**Non-consolidated VIEs**

| | | | Financial intermediation | | | | |
|---|---|---|---|---|---|---|---|
| end of | CDO | Securi-tizations | Funds | Loans | Other | **Total** |
| **2013 (CHF million)** | | | | | | |
| Trading assets | 183 | 4,920 | 979 | 725 | 713 | 7,520 |
| Net loans | 2 | 613 | 2,712 | 2,856 | 1,282 | 7,465 |
| Other assets | 0 | 0 | 47 | 0 | 6 | 53 |
| **Total variable interest assets** | **185** | **5,533** | **3,738** | **3,581** | **2,001** | **15,038** |
| **Maximum exposure to loss** | **186** | **7,496** | **3,926** | **7,433** | **2,090** | **21,131** |
| **Non-consolidated VIE assets** | **10,211** | **101,524** | **55,509** | **31,144** | **8,525** | **206,913** |
| **2012 (CHF million)** | | | | | | |
| Trading assets | 100 | 3,210 | 1,143 | 868 | 600 | 5,921 |
| Net loans | 8 | 111 | 2,048 | 3,572 | 1,668 | 7,407 |
| Other assets | 0 | 17 | 49 | 0 | 4 | 70 |
| **Total variable interest assets** | **108** | **3,338** | **3,240** | **4,440** | **2,272** | **13,398** |
| **Maximum exposure to loss** | **108** | **14,123** | **3,475** | **4,906** | **3,039** | **25,651** |
| **Non-consolidated VIE assets** | **5,163** | **103,990** | **52,268** | **22,304** | **6,486** | **190,211** |

## 33 Financial instruments

▸ Refer to "Note 34 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

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

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 527 | 0 | 0 | 527 |
| Interest-bearing deposits with banks | 0 | 311 | 0 | 0 | 311 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 96,383 | 204 | 0 | 96,587 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 41,829 | 63,217 | 5,069 | 0 | 110,115 |
| of which foreign governments | 40,199 | 6,980 | 230 | 0 | 47,409 |
| of which corporates | 14 | 24,267 | 2,128 | 0 | 26,409 |
| of which RMBS | 0 | 23,343 | 436 | 0 | 23,779 |
| of which CMBS | 0 | 5,255 | 417 | 0 | 5,672 |
| of which CDO | 0 | 3,305 | 1,567 | 0 | 4,872 |
| Equity | 70,463 | 5,777 | 595 | 0 | 76,835 |
| Derivatives | 6,610 | 563,882 | 5,217 | (543,922) | 31,787 |
| of which interest rate products | 1,065 | 444,187 | 1,574 | – | – |
| of which foreign exchange products | 8 | 60,732 | 484 | – | – |
| of which equity/index-related products | 5,278 | 28,941 | 1,240 | – | – |
| of which credit derivatives | 0 | 25,662 | 1,138 | – | – |
| Other | 3,690 | 4,480 | 2,829 | 0 | 10,999 |
| Trading assets | 122,592 | 637,356 | 13,710 | (543,922) | 229,736 |
| Debt | 1,164 | 362 | 0 | 0 | 1,526 |
| of which foreign governments | 1,162 | 2 | 0 | 0 | 1,164 |
| of which corporates | 0 | 262 | 0 | 0 | 262 |
| of which CDO | 0 | 100 | 0 | 0 | 100 |
| Equity | 1 | 98 | 2 | 0 | 101 |
| Investment securities | 1,165 | 460 | 2 | 0 | 1,627 |
| Private equity | 0 | 0 | 3,339 | 0 | 3,339 |
| of which equity funds | 0 | 0 | 2,230 | 0 | 2,230 |
| Hedge funds | 0 | 289 | 392 | 0 | 681 |
| of which debt funds | 0 | 174 | 329 | 0 | 503 |
| Other equity investments | 283 | 55 | 1,632 | 0 | 1,970 |
| of which private | 0 | 15 | 1,631 | 0 | 1,646 |
| Life finance instruments | 0 | 0 | 1,600 | 0 | 1,600 |
| Other investments | 283 | 344 | 6,963 | 0 | 7,590 |
| Loans | 0 | 11,459 | 7,998 | 0 | 19,457 |
| of which commercial and industrial loans | 0 | 6,302 | 5,309 | 0 | 11,611 |
| of which financial institutions | 0 | 4,484 | 1,322 | 0 | 5,806 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 42 | 0 | 42 |
| Other assets | 4,861 | 21,426 | 6,159 | (928) | 31,518 |
| of which loans held-for-sale | 0 | 12,770 | 5,615 | 0 | 18,385 |
| **Total assets at fair value** | **149,999** | **769,968** | **35,078** | **(544,850)** | **410,195** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (246) | (149) | (2,781) | 0 | (3,176) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,996) | (2,458) | 0 | (11,454) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **149,753** | **760,823** | **29,839** | **(544,850)** | **395,565** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

### Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2013 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 1,460 | 0 | 0 | 1,460 |
| Customer deposits | 0 | 3,186 | 55 | 0 | 3,241 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 75,990 | 114 | 0 | 76,104 |
| Debt | 409 | 1,592 | 0 | 0 | 2,001 |
| of which corporates | 0 | 1,558 | 0 | 0 | 1,558 |
| Equity | 20,689 | 110 | 0 | 0 | 20,799 |
| Obligation to return securities received as collateral | 21,098 | 1,702 | 0 | 0 | 22,800 |
| Debt | 19,037 | 5,312 | 2 | 0 | 24,351 |
| of which foreign governments | 18,863 | 603 | 0 | 0 | 19,466 |
| of which corporates | 1 | 4,132 | 2 | 0 | 4,135 |
| Equity | 15,476 | 309 | 17 | 0 | 15,802 |
| Derivatives | 5,879 | 572,717 | 5,545 | (547,482) | 36,659 |
| of which interest rate products | 896 | 439,502 | 1,129 | – | – |
| of which foreign exchange products | 14 | 71,588 | 938 | – | – |
| of which equity/index-related products | 4,691 | 30,800 | 1,896 | – | – |
| of which credit derivatives | 0 | 25,942 | 1,230 | – | – |
| Trading liabilities | 40,392 | 578,338 | 5,564 | (547,482) | 76,812 |
| Short-term borrowings | 0 | 5,888 | 165 | 0 | 6,053 |
| Long-term debt | 0 | 52,073 | 9,780 | 0 | 61,853 |
| of which treasury debt over two years | 0 | 9,081 | 0 | 0 | 9,081 |
| of which structured notes over two years | 0 | 20,680 | 6,217 | 0 | 26,897 |
| of which non-recourse liabilities | 0 | 9,509 | 2,552 | 0 | 12,061 |
| Other liabilities | 0 | 19,386 | 2,859 | (274) | 21,971 |
| of which failed sales | 0 | 638 | 1,143 | 0 | 1,781 |
| **Total liabilities at fair value** | **61,490** | **738,023** | **18,537** | **(547,756)** | **270,294** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

## Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Assets (CHF million)** | | | | | |
| Cash and due from banks | 0 | 569 | 0 | 0 | 569 |
| Interest-bearing deposits with banks | 0 | 627 | 0 | 0 | 627 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 113,664 | 0 | 0 | 113,664 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 55,592 | 74,392 | 5,830 | 0 | 135,814 |
| of which foreign governments | 53,918 | 11,032 | 79 | 0 | 65,029 |
| of which corporates | 1 | 25,933 | 3,192 | 0 | 29,126 |
| of which RMBS | 0 | 30,392 | 724 | 0 | 31,116 |
| of which CMBS | 0 | 4,335 | 1,023 | 0 | 5,358 |
| of which CDO | 0 | 2,620 | 447 | 0 | 3,067 |
| Equity | 66,715 | 7,745 | 485 | 0 | 74,945 |
| Derivatives | 3,428 | 823,181 | 6,650 | (799,843) | 33,416 |
| of which interest rate products | 703 | 698,494 | 1,859 | – | – |
| of which foreign exchange products | 1 | 62,619 | 754 | – | – |
| of which equity/index-related products | 2,538 | 25,885 | 1,920 | – | – |
| of which credit derivatives | 0 | 29,274 | 1,294 | – | – |
| Other | 7,205 | 2,736 | 2,486 | 0 | 12,427 |
| Trading assets | 132,940 | 908,054 | 15,451 | (799,843) | 256,602 |
| Debt | 1,334 | 341 | 169 | 0 | 1,844 |
| of which foreign governments | 1,333 | 1 | 21 | 0 | 1,355 |
| of which corporates | 0 | 340 | 125 | 0 | 465 |
| of which CDO | 0 | 0 | 24 | 0 | 24 |
| Equity | 4 | 90 | 1 | 0 | 95 |
| Investment securities | 1,338 | 431 | 170 | 0 | 1,939 |
| Private equity | 0 | 0 | 3,855 | 0 | 3,855 |
| of which equity funds | 0 | 0 | 2,530 | 0 | 2,530 |
| Hedge funds | 0 | 470 | 165 | 0 | 635 |
| of which debt funds | 0 | 349 | 84 | 0 | 433 |
| Other equity investments | 271 | 69 | 2,244 | 0 | 2,584 |
| of which private | 0 | 61 | 2,245 | 0 | 2,306 |
| Life finance instruments | 0 | 0 | 1,818 | 0 | 1,818 |
| Other investments | 271 | 539 | 8,082 | 0 | 8,892 |
| Loans | 0 | 13,381 | 6,619 | 0 | 20,000 |
| of which commercial and industrial loans | 0 | 6,191 | 4,778 | 0 | 10,969 |
| of which financial institutions | 0 | 5,934 | 1,530 | 0 | 7,464 |
| Other intangible assets (mortgage servicing rights) | 0 | 0 | 43 | 0 | 43 |
| Other assets | 5,439 | 26,802 | 5,164 | (146) | 37,259 |
| of which loans held-for-sale | 0 | 14,899 | 4,463 | 0 | 19,362 |
| **Total assets at fair value** | **169,665** | **1,064,435** | **35,529** | **(799,989)** | **469,640** |
| Less other investments – equity at fair value attributable to noncontrolling interests | (240) | (99) | (3,292) | 0 | (3,631) |
| Less assets consolidated under ASU 2009-17 [2] | 0 | (8,769) | (2,745) | 0 | (11,514) |
| **Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework** | **169,425** | **1,055,567** | **29,492** | **(799,989)** | **454,495** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

### Assets and liabilities measured at fair value on a recurring basis (continued)

| end of 2012 | Level 1 | Level 2 | Level 3 | Netting impact [1] | Total |
|---|---|---|---|---|---|
| **Liabilities (CHF million)** | | | | | |
| Due to banks | 0 | 3,431 | 0 | 0 | 3,431 |
| Customer deposits | 0 | 4,601 | 25 | 0 | 4,626 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 108,784 | 0 | 0 | 108,784 |
| Debt | 92 | 350 | 0 | 0 | 442 |
| of which corporates | 0 | 320 | 0 | 0 | 320 |
| Equity | 29,585 | 18 | 0 | 0 | 29,603 |
| Obligation to return securities received as collateral | 29,677 | 368 | 0 | 0 | 30,045 |
| Debt | 25,782 | 7,015 | 196 | 0 | 32,993 |
| of which foreign governments | 25,624 | 1,476 | 0 | 0 | 27,100 |
| of which corporates | 0 | 5,030 | 196 | 0 | 5,226 |
| Equity | 18,109 | 389 | 6 | 0 | 18,504 |
| Derivatives | 3,174 | 834,413 | 5,154 | (803,147) | 39,594 |
| of which interest rate products | 628 | 693,525 | 1,357 | – | – |
| of which foreign exchange products | 1 | 76,988 | 1,648 | – | – |
| of which equity/index-related products | 2,305 | 27,749 | 1,003 | – | – |
| of which credit derivatives | 0 | 28,952 | 819 | – | – |
| Trading liabilities | 47,065 | 841,817 | 5,356 | (803,147) | 91,091 |
| Short-term borrowings | 0 | 4,389 | 124 | 0 | 4,513 |
| Long-term debt | 218 | 54,458 | 10,098 | 0 | 64,774 |
| of which treasury debt over two years | 0 | 10,567 | 0 | 0 | 10,567 |
| of which structured notes over two years | 0 | 22,545 | 6,189 | 0 | 28,734 |
| of which non-recourse liabilities | 218 | 11,006 | 2,551 | 0 | 13,775 |
| Other liabilities | 0 | 24,235 | 2,847 | (283) | 26,799 |
| of which failed sales | 0 | 2,523 | 1,160 | 0 | 3,683 |
| **Total liabilities at fair value** | **76,960** | **1,042,083** | **18,450** | **(803,430)** | **334,063** |

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

### Transfers between level 1 and level 2

| | **2013** | | 2012 | |
|---|---|---|---|---|
| in | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 | Transfers to level 1 out of level 2 | Transfers out of level 1 to level 2 |
| **Assets (CHF million)** | | | | |
| Debt | 499 | 92 | 318 | 23,632 |
| Equity | 437 | 183 | 209 | 650 |
| Derivatives | 5,090 | 2 | 5,510 | 20 |
| **Trading assets** | **6,026** | **277** | **6,037** | **24,302** |
| **Liabilities (CHF million)** | | | | |
| Debt | 11 | 18 | 87 | 34 |
| Equity | 248 | 17 | 100 | 226 |
| Derivatives | 4,433 | 11 | 6,441 | 72 |
| **Trading liabilities** | **4,692** | **46** | **6,628** | **332** |

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

| 2013 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 0 | 0 | 0 | 0 |
| Debt | 5,830 | 1,418 | (1,977) | 6,363 |
| of which corporates | 3,192 | 571 | (552) | 1,759 |
| of which RMBS | 724 | 467 | (690) | 1,012 |
| of which CMBS | 1,023 | 86 | (310) | 497 |
| of which CDO | 447 | 55 | (357) | 3,072 |
| Equity | 485 | 303 | (237) | 405 |
| Derivatives | 6,650 | 1,442 | (2,208) | 0 |
| of which interest rate products | 1,859 | 244 | (363) | 0 |
| of which equity/index-related products | 1,920 | 223 | (1,020) | 0 |
| of which credit derivatives | 1,294 | 923 | (633) | 0 |
| Other | 2,486 | 288 | (487) | 3,266 |
| Trading assets | 15,451 | 3,451 | (4,909) | 10,034 |
| Investment securities | 170 | 0 | (230) | 165 |
| Equity | 6,264 | 106 | (63) | 1,081 |
| Life finance instruments | 1,818 | 0 | 0 | 189 |
| Other investments | 8,082 | 106 | (63) | 1,270 |
| Loans | 6,619 | 320 | (1,561) | 800 |
| of which commercial and industrial loans | 4,778 | 305 | (315) | 727 |
| of which financial institutions | 1,530 | 15 | (6) | 71 |
| Other intangible assets (mortgage servicing rights) | 43 | 0 | 0 | 12 |
| Other assets | 5,164 | 3,552 | (2,998) | 4,781 |
| of which loans held-for-sale [2] | 4,463 | 3,539 | (2,918) | 4,456 |
| **Total assets at fair value** | **35,529** | **7,429** | **(9,761)** | **17,062** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 25 | 0 | 0 | 0 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 0 | 0 | 0 | 0 |
| Trading liabilities | 5,356 | 1,503 | (1,537) | 66 |
| of which interest rate derivatives | 1,357 | 75 | (134) | 0 |
| of which foreign exchange derivatives | 1,648 | 13 | (21) | 0 |
| of which equity/index-related derivatives | 1,003 | 360 | (676) | 0 |
| of which credit derivatives | 819 | 1,001 | (590) | 0 |
| Short-term borrowings | 124 | 43 | (99) | 0 |
| Long-term debt | 10,098 | 2,322 | (2,375) | 0 |
| of which structured notes over two years | 6,189 | 453 | (1,226) | 0 |
| of which non-recourse liabilities | 2,551 | 1,836 | (670) | 0 |
| Other liabilities | 2,847 | 227 | (149) | 213 |
| of which failed sales | 1,160 | 176 | (82) | 154 |
| **Total liabilities at fair value** | **18,450** | **4,095** | **(4,160)** | **279** |
| **Net assets/(liabilities) at fair value** | **17,079** | **3,334** | **(5,601)** | **16,783** |

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

2 Includes unrealized gains recorded in trading revenues of CHF 238 million primarily related to subprime exposures in securitized business and market movements across the wider loans held-for-sale portfolio.

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 362 | (153) | 0 | 4 | 0 | 0 | (9) | 204 |
| (6,984) | 0 | 0 | 165 | 465 | 0 | 0 | (211) | 5,069 |
| (3,022) | 0 | 0 | 109 | 157 | 0 | 0 | (86) | 2,128 |
| (1,162) | 0 | 0 | 11 | 91 | 0 | 0 | (17) | 436 |
| (866) | 0 | 0 | (4) | 15 | 0 | 0 | (24) | 417 |
| (1,810) | 0 | 0 | 36 | 197 | 0 | 0 | (73) | 1,567 |
| (431) | 0 | 0 | 20 | 68 | (1) | 0 | (17) | 595 |
| 0 | 1,766 | (2,446) | 230 | (53) | 0 | 0 | (164) | 5,217 |
| 0 | 279 | (663) | 8 | 249 | 0 | 0 | (39) | 1,574 |
| 0 | 207 | (538) | 184 | 330 | 0 | 0 | (66) | 1,240 |
| 0 | 627 | (631) | 38 | (461) | 0 | 0 | (19) | 1,138 |
| (2,656) | 0 | (65) | 8 | 83 | 0 | 0 | (94) | 2,829 |
| (10,071) | 1,766 | (2,511) | 423 | 563 | (1) | 0 | (486) | 13,710 |
| (82) | 0 | 0 | 0 | 9 | 0 | 0 | (30) | 2 |
| (2,649) | 0 | 0 | 0 | (3) | 0 | 776 | (149) | 5,363 |
| (365) | 0 | 0 | 0 | 1 | 0 | 0 | (43) | 1,600 |
| (3,014) | 0 | 0 | 0 | (2) | 0 | 776 | (192) | 6,963 |
| (1,673) | 6,767 | (2,920) | 0 | (21) | 0 | 0 | (333) | 7,998 |
| (1,280) | 3,541 | (2,171) | 1 | (85) | 0 | 0 | (192) | 5,309 |
| (207) | 651 | (650) | 0 | (48) | 0 | 0 | (34) | 1,322 |
| 0 | 0 | 0 | 0 | 0 | 0 | (12) | (1) | 42 |
| (4,213) | 1,034 | (1,148) | 5 | 199 | 0 | 0 | (217) | 6,159 |
| (3,964) | 1,034 | (1,147) | 5 | 348 | 0 | 0 | (201) | 5,615 |
| **(19,053)** | **9,929** | **(6,732)** | **428** | **752** | **(1)** | **764** | **(1,268)** | **35,078** |
| | | | | | | | | |
| 0 | 51 | (3) | 0 | (13) | 0 | 0 | (5) | 55 |
| 0 | 119 | 0 | 0 | 0 | 0 | 0 | (5) | 114 |
| (197) | 1,561 | (2,556) | 235 | 1,302 | 0 | 0 | (169) | 5,564 |
| 0 | 107 | (508) | 10 | 254 | 0 | 0 | (32) | 1,129 |
| 0 | 15 | (662) | (16) | (21) | 0 | 0 | (18) | 938 |
| 0 | 632 | (380) | 210 | 831 | 0 | 0 | (84) | 1,896 |
| 0 | 655 | (856) | 39 | 186 | 0 | 0 | (24) | 1,230 |
| 0 | 318 | (216) | 0 | 3 | 0 | 0 | (8) | 165 |
| 0 | 5,006 | (5,330) | 25 | 321 | 0 | (1) | (286) | 9,780 |
| 0 | 3,602 | (2,534) | (18) | (36) | 0 | (1) | (212) | 6,217 |
| 0 | 818 | (2,128) | 24 | 151 | 0 | 0 | (30) | 2,552 |
| (393) | 10 | (86) | (17) | 70 | 26 | 217 | (106) | 2,859 |
| (308) | 0 | 0 | 0 | 72 | 0 | 0 | (29) | 1,143 |
| **(590)** | **7,065** | **(8,191)** | **243** | **1,683** | **26** | **216** | **(579)** | **18,537** |
| **(18,463)** | **2,864** | **1,459** | **185** | **(931)** | **(27)** | **548** | **(689)** | **16,541** |

**Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)**

| 2012 | Balance at beginning of period | Transfers in | Transfers out | Purchases |
|---|---|---|---|---|
| **Assets (CHF million)** | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,204 | 0 | 0 | 0 |
| Securities received as collateral | 193 | 0 | (188) | 0 |
| Debt | 9,941 | 2,312 | (5,035) | 7,479 |
| of which corporates | 5,076 | 1,113 | (3,609) | 5,210 |
| of which RMBS | 1,786 | 831 | (958) | 937 |
| of which CMBS | 1,517 | 188 | (262) | 664 |
| of which CDO | 727 | 158 | (121) | 483 |
| Equity | 467 | 419 | (100) | 377 |
| Derivatives | 9,588 | 1,465 | (2,175) | 0 |
| of which interest rate products | 2,547 | 168 | (686) | 0 |
| of which equity/index-related products | 2,732 | 681 | (844) | 0 |
| of which credit derivatives | 2,172 | 592 | (544) | 0 |
| Other | 2,195 | 179 | (366) | 2,842 |
| Trading assets | 22,191 | 4,375 | (7,676) | 10,698 |
| Investment securities | 102 | 0 | 0 | 94 |
| Equity | 6,899 | 4 | (61) | 757 |
| Life finance instruments | 1,968 | 0 | 0 | 102 |
| Other investments | 8,867 | 4 | (61) | 859 |
| Loans | 6,842 | 605 | (642) | 509 |
| of which commercial and industrial loans | 4,559 | 537 | (391) | 275 |
| of which financial institutions | 2,179 | 64 | (248) | 218 |
| Other intangible assets (mortgage servicing rights) | 70 | 0 | 0 | 11 |
| Other assets | 7,469 | 2,509 | (2,949) | 3,007 |
| of which loans held-for-sale | 6,901 | 2,471 | (2,948) | 2,801 |
| **Total assets at fair value** | **46,938** | **7,493** | **(11,516)** | **15,178** |
| **Liabilities (CHF million)** | | | | |
| Customer deposits | 0 | 0 | 0 | 0 |
| Obligation to return securities received as collateral | 193 | 0 | (188) | 0 |
| Trading liabilities | 7,343 | 1,294 | (1,783) | 94 |
| of which interest rate derivatives | 1,588 | 230 | (754) | 0 |
| of which foreign exchange derivatives | 2,836 | 3 | (178) | 0 |
| of which equity/index-related derivatives | 1,022 | 132 | (262) | 0 |
| of which credit derivatives | 1,520 | 700 | (571) | 0 |
| Short-term borrowings | 236 | 23 | (96) | 0 |
| Long-term debt | 12,715 | 2,616 | (4,044) | 0 |
| of which structured notes over two years | 7,576 | 789 | (1,668) | 0 |
| of which non-recourse liabilities | 3,585 | 1,701 | (2,225) | 0 |
| Other liabilities | 3,890 | 246 | (315) | 321 |
| of which failed sales | 1,909 | 136 | (47) | 302 |
| **Total liabilities at fair value** | **24,377** | **4,179** | **(6,426)** | **415** |
| **Net assets/(liabilities) at fair value** | **22,561** | **3,314** | **(5,090)** | **14,763** |

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

| | | | Trading revenues | | Other revenues | | | |
|---|---|---|---|---|---|---|---|---|
| Sales | Issuances | Settlements | On transfers in / out [1] | On all other | On transfers in / out [1] | On all other | Foreign currency translation impact | **Balance at end of period** |
| | | | | | | | | |
| 0 | 0 | (1,174) | 0 | (28) | 0 | 0 | (2) | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (8,793) | 0 | 0 | 72 | 129 | (4) | 0 | (271) | 5,830 |
| (4,745) | 0 | 0 | 49 | 278 | (4) | 0 | (176) | 3,192 |
| (1,924) | 0 | 0 | 18 | 60 | 0 | 0 | (26) | 724 |
| (809) | 0 | 0 | (4) | (228) | 0 | 0 | (43) | 1,023 |
| (851) | 0 | 0 | (4) | 67 | 0 | 0 | (12) | 447 |
| (611) | 0 | 0 | 0 | (63) | 0 | 0 | (4) | 485 |
| 0 | 1,007 | (3,262) | 60 | 163 | 0 | 0 | (196) | 6,650 |
| 0 | 303 | (976) | 47 | 515 | 0 | 0 | (59) | 1,859 |
| 0 | 346 | (844) | (31) | (56) | 0 | 0 | (64) | 1,920 |
| 0 | 161 | (914) | 43 | (179) | 0 | 0 | (37) | 1,294 |
| (2,290) | 0 | 0 | 2 | (4) | 0 | 0 | (72) | 2,486 |
| (11,694) | 1,007 | (3,262) | 134 | 225 | (4) | 0 | (543) | 15,451 |
| (17) | 0 | 0 | 0 | 0 | 0 | 0 | (9) | 170 |
| (1,789) | 0 | 0 | 0 | 2 | 0 | 620 | (168) | 6,264 |
| (274) | 0 | 0 | 0 | 72 | 0 | 0 | (50) | 1,818 |
| (2,063) | 0 | 0 | 0 | 74 | 0 | 620 | (218) | 8,082 |
| (1,286) | 4,490 | (3,473) | 15 | (250) | 0 | 0 | (191) | 6,619 |
| (469) | 3,084 | (2,773) | 15 | 76 | 0 | 0 | (135) | 4,778 |
| (745) | 1,078 | (672) | (1) | (293) | 0 | 0 | (50) | 1,530 |
| (16) | 0 | 0 | 0 | 0 | 0 | (20) | (2) | 43 |
| (3,356) | 298 | (2,319) | 128 | 580 | 0 | 0 | (203) | 5,164 |
| (3,182) | 298 | (2,319) | 127 | 486 | 0 | 0 | (172) | 4,463 |
| **(18,432)** | **5,795** | **(10,228)** | **277** | **601** | **(4)** | **600** | **(1,173)** | **35,529** |
| | | | | | | | | |
| 0 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 25 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5) | 0 |
| (346) | 853 | (2,599) | 151 | 505 | 0 | 0 | (156) | 5,356 |
| 0 | 115 | (194) | 75 | 340 | 0 | 0 | (43) | 1,357 |
| 0 | 1 | (1,037) | 24 | 48 | 0 | 0 | (49) | 1,648 |
| 0 | 537 | (315) | (16) | (61) | 0 | 0 | (34) | 1,003 |
| 0 | 88 | (939) | 79 | (36) | 0 | 0 | (22) | 819 |
| 0 | 288 | (332) | (3) | 14 | 0 | 0 | (6) | 124 |
| 0 | 4,015 | (6,043) | 182 | 989 | (4) | 0 | (328) | 10,098 |
| 0 | 1,925 | (2,867) | 32 | 604 | (4) | 0 | (198) | 6,189 |
| 0 | 1,473 | (2,312) | 144 | 275 | 0 | 0 | (90) | 2,551 |
| (1,322) | 2 | (219) | (15) | 74 | 0 | 278 | (93) | 2,847 |
| (1,260) | 0 | 0 | 0 | 153 | 0 | 0 | (33) | 1,160 |
| **(1,668)** | **5,183** | **(9,193)** | **315** | **1,582** | **(4)** | **278** | **(588)** | **18,450** |
| **(16,764)** | **612** | **(1,035)** | **(38)** | **(981)** | **0** | **322** | **(585)** | **17,079** |

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

| | | | 2013 | | | 2012 |
|---|---|---|---|---|---|---|
| in | Trading revenues | Other revenues | **Total revenues** | Trading revenues | Other revenues | **Total revenues** |
| **Gains and losses on assets and liabilities (CHF million)** | | | | | | |
| Net realized/unrealized gains/(losses) included in net revenues | (746) | 521 | **(225)** [1] | (1,019) | 322 | **(697)** [1] |
| Whereof: | | | | | | |
| Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date | (2,850) | 245 | **(2,605)** | (1,209) | (23) | **(1,232)** |

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

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

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 204 | Discounted cash flow | Funding spread, in bp | 90 | 350 | 178 |
| Debt | 5,069 | | | | | |
| of which corporates | 2,128 | | | | | |
| of which | 129 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Buyback probability, in % [2] | 50 | 100 | 62 |
| of which | 592 | Market comparable | Price, in % | 0 | 112 | 91 |
| of which | 807 | Discounted cash flow | Credit spread, in bp | 22 | 957 | 348 |
| of which RMBS | 436 | Discounted cash flow | Discount rate, in % | 2 | 33 | 9 |
| | | | Prepayment rate, in % | 0 | 27 | 7 |
| | | | Default rate, in % | 0 | 25 | 5 |
| | | | Loss severity, in % | 0 | 100 | 48 |
| of which CMBS | 417 | Discounted cash flow | Capitalization rate, in % | 5 | 12 | 9 |
| | | | Discount rate, in % | 1 | 30 | 9 |
| | | | Prepayment rate, in % | 0 | 20 | 10 |
| | | | Default rate, in % | 0 | 18 | 1 |
| | | | Loss severity, in % | 0 | 40 | 3 |
| of which CDO | 1,567 | | | | | |
| of which | 118 | Vendor price | Price, in % | 0 | 100 | 94 |
| of which | 278 | Discounted cash flow | Discount rate, in % | 2 | 24 | 6 |
| | | | Prepayment rate, in % | 0 | 30 | 7 |
| | | | Default rate, in % | 1 | 15 | 3 |
| | | | Loss severity, in % | 25 | 100 | 68 |
| of which | 423 | Market comparable | Price, in % | 85 | 101 | 98 |
| Equity | 595 | | | | | |
| of which | 270 | Market comparable | EBITDA multiple | 3 | 12 | 7 |
| of which | 35 | Discounted cash flow | Capitalization rate, in % | 7 | 7 | 7 |
| | | | Discount rate, in % | 15 | 15 | 15 |
| Derivatives | 5,217 | | | | | |
| of which interest rate products | 1,574 | Option model | Correlation, in % | 15 | 100 | 82 |
| | | | Prepayment rate, in % | 5 | 31 | 24 |
| | | | Volatility, in % | 2 | 31 | 6 |
| | | | Volatility skew, in % | (9) | 2 | (1) |
| | | | Credit spread, in bp | 95 | 2,054 | 218 |
| of which equity/index-related products | 1,240 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Volatility, in % | 2 | 252 | 26 |
| of which credit derivatives | 1,138 | Discounted cash flow | Credit spread, in bp | 1 | 2,054 | 298 |
| | | | Recovery rate, in % | 0 | 77 | 25 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 16 | 6 |
| | | | Loss severity, in % | 10 | 100 | 59 |
| | | | Correlation, in % | 34 | 97 | 83 |
| | | | Prepayment rate, in % | 0 | 17 | 5 |
| Other | 2,829 | | | | | |
| of which | 2,139 | Market comparable | Price, in % | 0 | 146 | 34 |
| of which | 589 | Discounted cash flow | Market implied life expectancy, in years | 3 | 19 | 9 |
| Trading assets | 13,710 | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

### Quantitative information about level 3 assets at fair value (continued)

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Investment securities | 2 | – | – | – | – | – |
| Private equity | 3,339 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Hedge funds | 392 | – [2] | – [2] | – [2] | – [2] | – [2] |
| Other equity investments | 1,632 | | | | | |
| of which private | 1,631 | | | | | |
| of which | 384 | Discounted cash flow | Credit spread, in bp | 897 | 3,175 | 1,207 |
| | | | Contingent probability, in % | 59 | 59 | 59 |
| of which | 813 | Market comparable | EBITDA multiple | 1 | 10 | 8 |
| Life finance instruments | 1,600 | Discounted cash flow | Market implied life expectancy, in years | 1 | 21 | 9 |
| Other investments | 6,963 | | | | | |
| Loans | 7,998 | | | | | |
| of which commercial and industrial loans | 5,309 | | | | | |
| of which | 4,526 | Discounted cash flow | Credit spread, in bp | 50 | 2,488 | 504 |
| of which | 326 | Market comparable | Price, in % | 0 | 100 | 69 |
| of which financial institutions | 1,322 | Discounted cash flow | Credit spread, in bp | 98 | 884 | 302 |
| Other intangible assets (mortgage servicing rights) | 42 | – | – | – | – | – |
| Other assets | 6,159 | | | | | |
| of which loans held-for-sale | 5,615 | | | | | |
| of which | 1,954 | Vendor price | Price, in % | 0 | 160 | 99 |
| of which | 1,042 | Discounted cash flow | Credit spread, in bp | 75 | 2,389 | 467 |
| | | | Recovery rate, in % | 1 | 1 | 0 |
| of which | 2,420 | Market comparable | Price, in % | 0 | 105 | 59 |
| **Total level 3 assets at fair value** | **35,078** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Disclosure not required as balances are carried at unadjusted net asset value. Refer to "Fair value, unfunded commitments and term of redemption conditions" for further information.

**Quantitative information about level 3 assets at fair value (continued)**

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Debt | 5,830 | | | | |
| of which corporates | 3,192 | | | | |
| of which | 754 | Option model | Correlation, in % | (87) | 97 |
| | | | Buyback probability, in % [1] | 50 | 100 |
| of which | 797 | Market comparable | Price, in % | 0 | 146 |
| of which | 1,231 | Discounted cash flow | Credit spread, in bp | 0 | 2,439 |
| of which RMBS | 724 | Discounted cash flow | Discount rate, in % | 2 | 50 |
| | | | Prepayment rate, in % | 0 | 55 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which CMBS | 1,023 | Discounted cash flow | Capitalization rate, in % | 5 | 12 |
| | | | Internal rate of return, in % | 9 | 15 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 10 |
| | | | Default rate, in % | 0 | 40 |
| | | | Loss severity, in % | 0 | 90 |
| of which CDO | 447 | | | | |
| of which | 193 | Vendor price | Price, in % | 0 | 102 |
| of which | 123 | Discounted cash flow | Discount rate, in % | 2 | 35 |
| | | | Prepayment rate, in % | 0 | 40 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| of which | 78 | Market comparable | Price, in % | 80 | 93 |
| Equity | 485 | | | | |
| of which | 237 | Market comparable | EBITDA multiple | 3 | 12 |
| of which | 26 | Discounted cash flow | Capitalization rate, in % | 7 | 7 |
| Derivatives | 6,650 | | | | |
| of which interest rate products | 1,859 | Option model | Correlation, in % | 17 | 100 |
| | | | Prepayment rate, in % | 2 | 45 |
| | | | Volatility, in % | (5) | 31 |
| | | | Credit spread, in bp | 34 | 157 |
| of which equity/index-related products | 1,920 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| of which credit derivatives | 1,294 | Discounted cash flow | Credit spread, in bp | 1 | 5,843 |
| | | | Recovery rate, in % | 0 | 75 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 30 | 97 |
| | | | Prepayment rate, in % | 0 | 40 |
| Other | 2,486 | | | | |
| of which | 1,891 | Market comparable | Price, in % | 0 | 103 |
| of which | 564 | Discounted cash flow | Life expectancy, in years | 4 | 20 |
| Trading assets | 15,451 | | | | |

[1] Estimate of the probability of corporate bonds being called by the issuer at its option over the remaining life of the financial instrument.

**Quantitative information about level 3 assets at fair value (continued)**

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Investment securities | 170 | – | – | – | – |
| Private equity | 3,855 | – [1] | – [1] | – [1] | – [1] |
| Hedge funds | 165 | – [1] | – [1] | – [1] | – [1] |
| Other equity investments | 2,244 | | | | |
| of which private | 2,245 | | | | |
| of which | 759 | Discounted cash flow | Credit spread, in bp | 1,070 | 2,049 |
| | | | Contingent probability, in % | 50 | 50 |
| of which | 903 | Market comparable | EBITDA multiple | 2 | 13 |
| Life finance instruments | 1,818 | Discounted cash flow | Life expectancy, in years | 1 | 23 |
| Other investments | 8,082 | | | | |
| Loans | 6,619 | | | | |
| of which commercial and industrial loans | 4,778 | Discounted cash flow | Credit spread, in bp | 0 | 2,763 |
| of which financial institutions | 1,530 | Discounted cash flow | Credit spread, in bp | 0 | 888 |
| Other intangible assets (mortgage servicing rights) | 43 | – | – | – | – |
| Other assets | 5,164 | | | | |
| of which loans held-for-sale | 4,463 | | | | |
| of which | 2,031 | Vendor price | Price, in % | 0 | 103 |
| of which | 328 | Discounted cash flow | Credit spread, in bp | 20 | 1,458 |
| of which | 2,009 | Market comparable | Price, in % | 0 | 115 |
| **Total level 3 assets at fair value** | **35,529** | | | | |

[1] Disclosure not required as balances are carried at unadjusted net asset value. Refer to “Fair value, unfunded commitments and term of redemption conditions” for further information.

**Quantitative information about level 3 liabilities at fair value**

| end of 2013 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value | Weighted average [1] |
|---|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | | |
| Customer deposits | 55 | – | – | – | – | – |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 114 | Discounted cash flow | Funding spread, in bp | 90 | 90 | 90 |
| Trading liabilities | 5,564 | | | | | |
| of which interest rate derivatives | 1,129 | Option model | Basis spread, in bp | (5) | 148 | 74 |
| | | | Correlation, in % | 17 | 99 | 62 |
| | | | Mean reversion, in % [2] | 5 | 10 | 6 |
| | | | Prepayment rate, in % | 5 | 31 | 23 |
| of which foreign exchange derivatives | 938 | Option model | Correlation, in % | (10) | 70 | 48 |
| | | | Prepayment rate, in % | 19 | 31 | 25 |
| of which equity/index-related derivatives | 1,896 | Option model | Correlation, in % | (83) | 96 | 14 |
| | | | Skew, in % | 79 | 152 | 118 |
| | | | Volatility, in % | 2 | 252 | 26 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| of which credit derivatives | 1,230 | Discounted cash flow | Credit spread, in bp | 1 | 2,052 | 252 |
| | | | Discount rate, in % | 4 | 29 | 14 |
| | | | Default rate, in % | 1 | 15 | 6 |
| | | | Recovery rate, in % | 14 | 77 | 43 |
| | | | Loss severity, in % | 6 | 100 | 62 |
| | | | Correlation, in % | 34 | 98 | 55 |
| | | | Prepayment rate, in % | 0 | 17 | 2 |
| Short-term borrowings | 165 | – | – | – | – | – |
| Long-term debt | 9,780 | | | | | |
| of which structured notes over two years | 6,217 | Option model | Correlation, in % | (83) | 99 | 16 |
| | | | Volatility, in % | 5 | 252 | 28 |
| | | | Buyback probability, in % [3] | 50 | 100 | 62 |
| | | | Gap risk, in % [4] | 0 | 5 | 0 |
| of which non-recourse liabilities | 2,552 | | | | | |
| of which | 2,105 | Vendor price | Price, in % | 0 | 217 | 104 |
| of which | 301 | Market comparable | Price, in % | 0 | 93 | 13 |
| Other liabilities | 2,859 | | | | | |
| of which failed sales | 1,143 | | | | | |
| of which | 829 | Market comparable | Price, in % | 0 | 100 | 63 |
| of which | 195 | Discounted cash flow | Credit spread, in bp | 813 | 1,362 | 1,185 |
| | | | Recovery rate, in % | 23 | 23 | 23 |
| **Total level 3 liabilities at fair value** | **18,537** | | | | | |

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Management's best estimate of the speed at which interest rates will revert to the long-term average.
[3] Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
[4] Risk of unexpected large declines in the underlying values between collateral settlement dates.

## Quantitative information about level 3 liabilities at fair value (continued)

| end of 2012 | Fair value | Valuation technique | Unobservable input | Minimum value | Maximum value |
|---|---|---|---|---|---|
| **CHF million, except where indicated** | | | | | |
| Customer deposits | 25 | – | – | – | – |
| Trading liabilities | 5,356 | | | | |
| of which interest rate derivatives | 1,357 | Option model | Basis spread, in bp | (28) | 54 |
| | | | Correlation, in % | 17 | 100 |
| | | | Mean reversion, in % [1] | (33) | 5 |
| | | | Prepayment rate, in % | 4 | 45 |
| of which foreign exchange derivatives | 1,648 | Option model | Correlation, in % | (10) | 70 |
| | | | Prepayment rate, in % | 4 | 22 |
| of which equity/index-related derivatives | 1,003 | Option model | Correlation, in % | (87) | 97 |
| | | | Skew, in % | 56 | 128 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 4 |
| of which credit derivatives | 819 | Discounted cash flow | Credit spread, in bp | 0 | 5,843 |
| | | | Discount rate, in % | 2 | 35 |
| | | | Default rate, in % | 0 | 25 |
| | | | Recovery rate, in % | 0 | 77 |
| | | | Loss severity, in % | 0 | 100 |
| | | | Correlation, in % | 0 | 47 |
| | | | Prepayment rate, in % | 0 | 40 |
| Short-term borrowings | 124 | – | – | – | – |
| Long-term debt | 10,098 | | | | |
| of which structured notes over two years | 6,189 | Option model | Correlation, in % | (87) | 97 |
| | | | Volatility, in % | 2 | 157 |
| | | | Buyback probability, in % [2] | 50 | 100 |
| | | | Gap risk, in % [3] | 0 | 12 |
| of which non-recourse liabilities | 2,551 | | | | |
| of which | 2,255 | Vendor price | Price, in % | 0 | 103 |
| of which | 230 | Market comparable | Price, in % | 0 | 87 |
| Other liabilities | 2,847 | | | | |
| of which failed sales | 1,160 | | | | |
| of which | 646 | Market comparable | Price, in % | 0 | 100 |
| of which | 290 | Discounted cash flow | Credit spread, in bp | 0 | 1,532 |
| **Total level 3 liabilities at fair value** | **18,450** | | | | |

1 Management's best estimate of the speed at which interest rates will revert to the long-term average.
2 Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.
3 Risk of unexpected large declines in the underlying values between collateral settlement dates.

## Fair value, unfunded commitments and term of redemption conditions

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| end of | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments | Non-redeemable | Redeemable | Total fair value | Unfunded commit-ments |
| **Fair value and unfunded commitments (CHF million)** | | | | | | | | |
| Debt funds | 1 | 18 | 19 | 0 | 127 | 38 | 165 | 0 |
| Equity funds | 28 | 3,096 [1] | 3,124 | 0 | 52 | 3,810 [2] | 3,862 | 0 |
| Equity funds sold short | 0 | (17) | (17) | 0 | 0 | (111) | (111) | 0 |
| Total funds held in trading assets and liabilities | 29 | 3,097 | 3,126 | 0 | 179 | 3,737 | 3,916 | 0 |
| Debt funds | 320 | 183 | 503 | 6 | 68 | 365 | 433 | 157 |
| Equity funds | 0 | 25 | 25 | 0 | 3 | 43 | 46 | 0 |
| Others | 0 | 153 | 153 | 31 | 4 | 152 | 156 | 46 |
| Hedge funds | 320 | 361 [3] | 681 | 37 | 75 | 560 [4] | 635 | 203 |
| Debt funds | 53 | 0 | 53 | 2 | 97 | 0 | 97 | 17 |
| Equity funds | 2,230 | 0 | 2,230 | 464 | 2,530 | 0 | 2,530 | 723 |
| Real estate funds | 350 | 0 | 350 | 110 | 382 | 0 | 382 | 131 |
| Others | 706 | 0 | 706 | 250 | 846 | 0 | 846 | 198 |
| Private equities | 3,339 | 0 | 3,339 | 826 | 3,855 | 0 | 3,855 | 1,069 |
| Equity method investments | 349 | 0 | 349 | 0 | 385 | 0 | 385 | 0 |
| Total funds held in other investments | 4,008 | 361 | 4,369 | 863 | 4,315 | 560 | 4,875 | 1,272 |
| **Total fair value** | **4,037** [5] | **3,458** [6] | **7,495** | **863** [7] | **4,494** [5] | **4,297** [6] | **8,791** | **1,272** [7] |

[1] 55% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 19% is redeemable on an annual basis with a notice period primarily of more than 60 days, 17% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[2] 57% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period of less than 30 days, 17% is redeemable on an annual basis with a notice period primarily of more than 60 days, 13% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 13% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.
[3] 45% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 33% is redeemable on demand with a notice period primarily of less than 30 days, and 21% is redeemable on an annual basis with a notice period of more than 60 days.
[4] 66% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 19% is redeemable on demand with a notice period primarily of less than 30 days, and 11% is redeemable on an annual basis with a notice period of more than 60 days.
[5] Includes CHF 1,819 million and CHF 1,958 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[6] Includes CHF 107 million and CHF 107 million attributable to noncontrolling interests in 2013 and 2012, respectively.
[7] Includes CHF 405 million and CHF 418 million attributable to noncontrolling interests in 2013 and 2012, respectively.

## Nonrecurring fair value changes

| end of | 2013 | 2012 |
|---|---|---|
| **Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)** | | |
| **Assets held-for-sale recorded at fair value on a nonrecurring basis** | **0.3** | **0.5** |
| of which level 3 | 0.3 | 0.5 |

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

| | | | **2013** | | | 2012 |
|---|---|---|---|---|---|---|
| end of | Aggregate fair value | Aggregate unpaid principal | Difference | Aggregate fair value | Aggregate unpaid principal | Difference |
| **Loans (CHF million)** | | | | | | |
| Non-interest-earning loans | 956 | 3,262 | (2,306) | 920 | 3,810 | (2,890) |
| **Financial instruments (CHF million)** | | | | | | |
| Interest-bearing deposits with banks | 311 | 307 | 4 | 627 | 615 | 12 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 96,587 | 96,217 | 370 | 113,664 | 113,196 | 468 |
| Loans | 19,457 | 19,653 | (196) | 20,000 | 20,278 | (278) |
| Other assets [1] | 20,749 | 25,756 | (5,007) | 22,060 | 29,787 | (7,727) |
| Due to banks and customer deposits | (690) | (680) | (10) | (531) | (493) | (38) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (76,104) | (76,012) | (92) | (108,784) | (108,701) | (83) |
| Short-term borrowings | (6,053) | (5,896) | (157) | (4,513) | (4,339) | (174) |
| Long-term debt | (61,853) | (61,529) | (324) | (64,774) | (66,434) | 1,660 |
| Other liabilities | (1,780) | (3,285) | 1,505 | (3,683) | (6,186) | 2,503 |

[1] Primarily loans held-for-sale.

## Gains and losses on financial instruments

| in | 2013 Net gains/ (losses) | 2012 Net gains/ (losses) | 2011 Net gains/ (losses) |
|---|---|---|---|
| **Financial instruments (CHF million)** | | | |
| Cash and due from banks | 0 | (13) [2] | – |
| of which related to credit risk | 0 | (13) | – |
| Interest-bearing deposits with banks | 10 [1] | 12 [1] | 0 |
| of which related to credit risk | (3) | 3 | 0 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 1,143 [1] | 1,183 [1] | 1,698 [1] |
| Other trading assets | 0 | 10 [2] | 10 [2] |
| Other investments | 126 [3] | 144 [3] | 196 [2] |
| of which related to credit risk | 11 | 34 | (14) |
| Loans | 1,470 [1] | 925 [1] | (1,105) [2] |
| of which related to credit risk | 26 | 318 | (256) |
| Other assets | 2,058 [1] | 2,641 [1] | 476 [1] |
| of which related to credit risk | 604 | 355 | (332) |
| Due to banks and customer deposits | 0 | (22) [1] | (2) [1] |
| of which related to credit risk | (5) | 8 | 45 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | (67) [1] | (114) [1] | (575) [1] |
| Short-term borrowings | (256) [2] | (350) [2] | 91 [2] |
| of which related to credit risk [4] | 0 | 0 | (2) |
| Long-term debt | (2,697) [2] | (7,709) [2] | 2,301 [2] |
| of which related to credit risk [4] | (309) | (2,365) | 1,769 |
| Other liabilities | 413 [2] | 826 [2] | (286) [2] |
| of which related to credit risk | 112 | 912 | (348) |

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

### Carrying value and fair value of financial instruments not carried at fair value

| end of | Carrying value | Level 1 | Level 2 | Level 3 | Fair value Total |
|---|---|---|---|---|---|
| **2013 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 63,426 | 0 | 62,882 | 544 | 63,426 |
| Loans | 209,070 | 0 | 209,820 | 3,940 | 213,760 |
| Other financial assets [1] | 143,827 | 71,518 | 71,135 | 1,473 | 144,126 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 340,278 | 204,134 | 136,064 | 9 | 340,207 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 17,928 | 0 | 17,928 | 0 | 17,928 |
| Short-term borrowings | 14,140 | 0 | 14,148 | 0 | 14,148 |
| Long-term debt | 64,788 | 0 | 62,027 | 3,774 | 65,801 |
| Other financial liabilities [2] | 96,649 | 1,128 | 94,452 | 1,085 | 96,665 |
| **2012 (CHF million)** | | | | | |
| **Financial assets** | | | | | |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 69,783 | 0 | 69,755 | 27 | 69,782 |
| Loans | 204,551 | 0 | 206,214 | 4,482 | 210,696 |
| Other financial assets [1] | 133,498 | 63,519 | 68,568 | 1,680 | 133,767 |
| **Financial liabilities** | | | | | |
| Due to banks and deposits | 320,208 | 193,288 | 126,798 | 9 | 320,095 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 23,937 | 0 | 23,939 | 0 | 23,939 |
| Short-term borrowings | 10,325 | 0 | 10,328 | 0 | 10,328 |
| Long-term debt | 82,223 | 0 | 79,032 | 4,546 | 83,578 |
| Other financial liabilities [2] | 89,275 | 0 | 88,035 | 1,170 | 89,205 |

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

## 34 Assets pledged and collateral

### Assets pledged

The Bank pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

### Assets pledged

| end of | **2013** | 2012 |
|---|---|---|
| **Assets pledged (CHF million)** | | |
| Total assets pledged or assigned as collateral | 137,207 | 145,598 |
| of which encumbered | 92,300 | 90,745 |

### Collateral

The Bank receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Bank was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

### Collateral

| end of | 2013 | 2012 |
|---|---|---|
| **Collateral (CHF million)** | | |
| Fair value of collateral received with the right to sell or repledge | 359,508 | 402,784 |
| of which sold or repledged | 267,902 | 292,531 |

### Other information

| end of | 2013 | 2012 |
|---|---|---|
| **Other information (CHF million)** | | |
| Cash and securities restricted under foreign banking regulations | 18,130 | 14,340 |
| Swiss National Bank required minimum liquidity reserves | 2,305 | 2,312 |

▸ Refer to "Note 35 – Assets pledged and collateral" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 35 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Bank has operated under the international capital adequacy standards known as Basel III set forth by the BCBS. These standards have affected the measurement of both total eligible capital and risk-weighted assets.

As of December 31, 2013 and 2012, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the Bank for International Settlements (BIS) guidelines.

▸ Refer to "Note 36 – Capital adequacy" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Broker-dealer operations

Certain Bank broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2013 and 2012, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

### Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

As of December 31, 2013 and 2012, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

### BIS statistics – Basel III

| end of | 2013 | 2012 |
|---|---|---|
| **Eligible capital (CHF million)** | | |
| CET1 capital | 38,028 | 36,717 |
| Additional tier 1 capital | 3,077 | 3,760 |
| **Total tier 1 capital** | **41,105** | **40,477** |
| Tier 2 capital | 10,961 | 8,829 |
| **Total eligible capital** | **52,066** | **49,306** |
| **Risk-weighted assets (CHF million)** | | |
| Credit risk | 166,324 | 191,649 |
| Market risk | 39,111 | 39,438 |
| Operational risk | 53,075 | 45,125 |
| Non-counterparty risk | 5,758 | 5,873 |
| **Risk-weighted assets** | **264,268** | **282,085** |
| **Capital ratios (%)** | | |
| CET1 ratio | 14.4 | 13.0 |
| Tier 1 ratio | 15.6 | 14.3 |
| Total capital ratio | 19.7 | 17.5 |

## 36 Litigation

▸ Refer to "Note 38 – Litigation" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 37 Significant subsidiaries and equity method investments

### Significant subsidiaries

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| **as of December 31, 2013** | | | | |
| | **Credit Suisse AG** | | | |
| 100 | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100 | Banco Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 53.6 |
| 100 | Banco Credit Suisse (México), S.A. | Mexico City, Mexico | MXN | 1,716.7 |
| 100 | Banco de Investimentos Credit Suisse (Brasil) S.A. | São Paulo, Brazil | BRL | 164.8 |
| 100 | Boston Re Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100 | CJSC Bank Credit Suisse (Moscow) | Moscow, Russia | USD | 37.8 |
| 100 | Column Financial, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse (Australia) Limited | Sydney, Australia | AUD | 34.1 |
| 100 | Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A. | São Paulo, Brazil | BRL | 5.0 |
| 100 | Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários | São Paulo, Brazil | BRL | 98.4 |
| 100 | Credit Suisse (Deutschland) Aktiengesellschaft | Frankfurt, Germany | EUR | 130.0 |
| 100 | Credit Suisse (France) | Paris, France | EUR | 52.9 |
| 100 | Credit Suisse (Gibraltar) Limited | Gibraltar, Gibraltar | GBP | 5.0 |
| 100 | Credit Suisse (Channel Islands) Limited | St. Peter Port, Guernsey | USD | 6.1 |
| 100 | Credit Suisse (Hong Kong) Limited | Hong Kong, China | HKD | 6,910.9 |
| 100 | Credit Suisse (Italy) S.p.A. | Milan, Italy | EUR | 139.6 |
| 100 | Credit Suisse (Monaco) S.A.M. | Monte Carlo, Monaco | EUR | 18.0 |
| 100 | Credit Suisse (Poland) Sp. z o.o | Warsaw, Poland | PLN | 20.0 |
| 100 | Credit Suisse (Qatar) LLC | Doha, Qatar | USD | 24.0 |
| 100 | Credit Suisse (Singapore) Limited | Singapore, Singapore | SGD | 743.3 |
| 100 | Credit Suisse (UK) Limited | London, United Kingdom | GBP | 168.2 |
| 100 | Credit Suisse (USA), Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 144.2 |
| 100 | Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft mbH | Frankfurt, Germany | EUR | 6.1 |
| 100 | Credit Suisse Asset Management International Holding Ltd | Zurich, Switzerland | CHF | 20.0 |
| 100 | Credit Suisse Asset Management Investments Ltd | Zurich, Switzerland | CHF | 0.1 |
| 100 | Credit Suisse Asset Management Limited | London, United Kingdom | GBP | 45.0 |
| 100 | Credit Suisse Asset Management, LLC | Wilmington, United States | USD | 1,086.8 |
| 100 | Credit Suisse Business Analytics (India) Private Limited | Mumbai, India | INR | 40.0 |
| 100 | Credit Suisse Capital (Guernsey) I Limited | St. Peter Port, Guernsey | USD | 0.0 |
| 100 | Credit Suisse Capital LLC | Wilmington, United States | USD | 737.6 |

## Significant subsidiaries (continued)

| Equity interest in % | Company name | Domicile | Currency | Nominal capital in million |
|---|---|---|---|---|
| 100 | Credit Suisse Energy (Canada) Limited | Toronto, Canada | USD | 0.0 |
| 100 | Credit Suisse Energy LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Equities (Australia) Limited | Sydney, Australia | AUD | 62.5 |
| 100 | Credit Suisse Finance (Guernsey) Limited | St. Peter Port, Guernsey | USD | 0.2 |
| 100 | Credit Suisse Finance (India) Private Limited | Mumbai, India | INR | 1,050.1 |
| 100 | Credit Suisse First Boston (Latin America Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100 | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100 | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, United States | USD | 356.6 |
| 100 | Credit Suisse First Boston Next Fund, Inc. | Wilmington, United States | USD | 10.0 |
| 100 | Credit Suisse Fund Management S.A. | Luxembourg, Luxembourg | CHF | 0.3 |
| 100 | Credit Suisse Fund Services (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 1.5 |
| 100 | Credit Suisse Funds AG | Zurich, Switzerland | CHF | 7.0 |
| 100 | Credit Suisse Hedging-Griffo Corretora de Valores S.A. | São Paulo, Brazil | BRL | 29.6 |
| 100 | Credit Suisse Holding Europe (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 32.6 |
| 100 | Credit Suisse Holdings (Australia) Limited | Sydney, Australia | AUD | 3.0 |
| 100 [1] | Credit Suisse Holdings (USA), Inc. | Wilmington, United States | USD | 4,184.7 |
| 100 | Credit Suisse Leasing 92A, L.P. | New York, United States | USD | 43.9 |
| 100 | Credit Suisse Life & Pensions AG | Vaduz, Liechtenstein | CHF | 15.0 |
| 100 | Credit Suisse Life (Bermuda) Ltd. | Hamilton, Bermuda | USD | 1.0 |
| 100 | Credit Suisse Loan Funding LLC | Wilmington, United States | USD | 0.0 |
| 100 | Credit Suisse Management LLC | Wilmington, United States | USD | 896.8 |
| 100 | Credit Suisse Principal Investments Limited | George Town, Cayman Islands | JPY | 3,324.0 |
| 100 | Credit Suisse Private Equity, LLC | Wilmington, United States | USD | 42.2 |
| 100 | Credit Suisse PSL GmbH | Zurich, Switzerland | CHF | 0.0 |
| 100 | Credit Suisse Securities (Canada), Inc. | Toronto, Canada | CAD | 3.4 |
| 100 | Credit Suisse Securities (Europe) Limited | London, United Kingdom | USD | 2,859.3 |
| 100 | Credit Suisse Securities (Hong Kong) Limited | Hong Kong, China | HKD | 530.9 |
| 100 | Credit Suisse Securities (India) Private Limited | Mumbai, India | INR | 2,214.8 |
| 100 | Credit Suisse Securities (Japan) Limited | Tokyo, Japan | JPY | 78,100.0 |
| 100 | Credit Suisse Securities (Johannesburg) Proprietary Limited | Johannesburg, South Africa | ZAR | 0.0 |
| 100 | Credit Suisse Securities (Malaysia) Sdn. Bhd. | Kuala Lumpur, Malaysia | MYR | 100.0 |
| 100 | Credit Suisse Securities (Moscow) | Moscow, Russia | RUB | 97.1 |
| 100 | Credit Suisse Securities (Singapore) Pte Limited | Singapore, Singapore | SGD | 30.0 |
| 100 | Credit Suisse Securities (Thailand) Limited | Bangkok, Thailand | THB | 500.0 |
| 100 | Credit Suisse Securities (USA) LLC | Wilmington, United States | USD | 1,881.5 |
| 100 | CSAM Americas Holding Corp. | Wilmington, United States | USD | 0.0 |
| 100 | CS International Advisors AG | Zurich, Switzerland | CHF | 0.1 |
| 100 | CS Non-Traditional Products Ltd. | Nassau, Bahamas | USD | 0.1 |
| 100 | DLJ LBO Plans Management, LLC | Wilmington, United States | USD | 7.8 |
| 100 | DLJ Mortgage Capital, Inc. | Wilmington, United States | USD | 0.0 |
| 100 | Merban Equity AG | Zug, Switzerland | CHF | 0.1 |
| 100 | SPS Holding Corporation | Wilmington, United States | USD | 0.1 |
| 99 | PT Credit Suisse Securities Indonesia | Jakarta, Indonesia | IDR | 235,000.0 |
| 98 | Credit Suisse Hypotheken AG | Zurich, Switzerland | CHF | 0.1 |
| 98 [2] | Credit Suisse International | London, United Kingdom | USD | 13,107.7 |
| 83 | Asset Management Finance LLC | Wilmington, United States | USD | 341.8 |
| 71 | Credit Suisse Saudi Arabia | Riyadh, Saudi Arabia | SAR | 300.0 |
| 58 [3] | Credit Suisse (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 150.0 |

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] Remaining 2% held directly by Credit Suisse Group AG. 80% of voting rights and 98% of equity interest held by Credit Suisse AG.
[3] 42% of voting rights held directly by Credit Suisse Group AG.

**Significant equity method investments**

| Equity interest in % | Company name | Domicile |
| --- | --- | --- |
| **as of December 31, 2013** | | |
| | **Credit Suisse AG** | |
| 33 | Credit Suisse Founder Securities Limited | Beijing, China |
| 23 | E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd | Melbourne, Australia |
| 20 | ICBC Credit Suisse Asset Management Co., Ltd. | Beijing, China |
| 5 [1] | York Capital Management Global Advisors, LLC | New York, United States |

[1] The Bank holds a significant noncontrolling interest.

## 38 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

▸ Refer to “Note 42 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 39 Risk assessment

During the reporting period the Board of Directors and its Risk Committee performed risk assessments in accordance with established policies and procedures.

The governance of the Bank and the Group, including risk governance, is fully aligned. Both the Board of Directors and the Executive Board are comprised of the same individuals.

▸ Refer to “Note 43 – Risk assessment” in V – Consolidated financial statements – Credit Suisse Group for information in accordance with the Swiss Code of Obligations on the risk assessment process followed by the Board of Directors.

# Controls and procedures

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2013, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Bank is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2013 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework (1992)".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2013.

KPMG AG, the Bank's independent auditors, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2013, as stated in their report, which follows.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

KPMG

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Internet www.kpmg.ch

Report of the Independent Registered Public Accounting Firm to the General Meeting of Shareholders of

**Credit Suisse AG, Zurich**

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We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Bank's board of directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in equity, comprehensive income and cash flows, and notes thereto, for each of the years in the three-year period ended December 31, 2013, and our report dated April 3, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Simon Ryder
*Licensed Audit Expert*
*Auditor in Charge*

Anthony Anzevino
*Global Lead Partner*

Zurich, Switzerland
April 3, 2014

# APPENDIX 6 — LEGAL PROCEEDINGS INFORMATION EXTRACTED FROM CREDIT SUISSE ANNUAL REPORT 2013

We are a wholly owned subsidiary of Credit Suisse Group AG. We have extracted the section headed "Litigation" from pages 330 to 336 of the Credit Suisse annual report 2013 in this appendix 6. References to page numbers in this appendix 6 are to the pages in the Credit Suisse annual report 2013 and not to the pages in this document.

## 38 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described below include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters below includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

### Litigation provisions

| | 2013 |
|---|---|
| **CHF million** | |
| **Balance at beginning of period** | **1,157** |
| Increase in litigation accruals | 2,109 |
| Decrease in litigation accruals | (141) |
| Decrease for settlements and other cash payments | (762) |
| Foreign exchange translation | (31) |
| **Balance at end of period** | **2,332** |

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 2.4 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

**Research-related litigation**

Putative class action lawsuits were filed against Credit Suisse Securities (USA) LLC (CSS LLC) in the wake of publicity surrounding the 2002 industry-wide governmental and regulatory investigations into research analyst practices, with In re Credit Suisse – AOL Securities Litigation, filed in the US District Court for the District of Massachusetts, being the remaining outstanding matter. The case was brought on behalf of a class of purchasers of common shares of the former AOL Time Warner Inc. (AOL) who have alleged that CSS LLC's equity research coverage of AOL between January 2001 and July 2002 was false and misleading. The second amended complaint in this action asserted federal securities fraud and control person liability claims against CSS LLC and certain affiliates and former employees of CSS LLC. Plaintiffs estimated damages of approximately USD 3.9 billion. On January 13, 2012, the district court granted summary judgment in favor of the defendants upon its determination to preclude a plaintiff expert witness. The plaintiffs have appealed the summary judgment decision and oral argument on the appeal was held on March 6, 2013.

**Enron-related litigation**

Two Enron-related actions remain pending against CSS LLC and certain of its affiliates, both in the US District Court for the Southern District of Texas. In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. A motion to dismiss is pending.

**NCFE-related litigation**

Lawsuits were filed against CSS LLC and certain of its affiliates with respect to services that they provided to National Century Financial Enterprises, Inc. and its affiliates (NCFE). In these lawsuits, which were consolidated as a multi-district litigation in the US District Court for the Southern District of Ohio (SDO) for pre-trial purposes, investors holding approximately USD 1.9 billion face amount of NCFE's bonds and approximately USD 12 million in preferred stock sued numerous defendants, including the founders and directors of NCFE, the trustees for the bonds, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds and NCFE's placement agents, including CSS LLC. The lawsuits asserted claims for breach of contract, negligence, fraud and violation of federal and state securities laws and generally alleged that CSS LLC and/or its affiliates knew or should have known that the health care receivables purportedly backing the bonds were either ineligible for the programs or non-existent. In April 2009, CSS LLC settled with the New York City Pension Fund bond investor plaintiffs for an amount covered by existing provisions. On October 26, 2012, the SDO issued a decision which granted CSS LLC's summary judgment motion to dismiss all the claims brought by the investor in NCFE preferred stock; on October 23, 2013, the US Court of Appeals for the Sixth Circuit affirmed that decision. On March 13, 2013, CSS LLC and its affiliate entered into agreements to settle the bond investor lawsuits and resolve all remaining bond investor claims for an amount partially covered by existing provisions.

**Mortgage-related matters**

CSS LLC and certain of its affiliates have received requests for information from certain regulators and/or government entities regarding the origination, purchase, securitization and servicing of subprime and non-subprime residential mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests.

Following an investigation, on November 20, 2012, the New York Attorney General, on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, and seeks an unspecified amount of damages. On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey, filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County, against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The action, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, and seeks an unspecified amount of damages. Both actions are at early procedural points.

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include class action lawsuits and putative class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts. Although the allegations vary by lawsuit, plaintiffs in the class and putative class actions and individual investor actions generally allege that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization; and repurchase action plaintiffs allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

#### Class action litigations

In class actions and putative class actions against CSS LLC as an underwriter of other issuers' RMBS offerings, CSS LLC generally has or had contractual rights to indemnification from the issuers. However, some of these issuers are now defunct, including affiliates of IndyMac Bancorp (IndyMac) and Thornburg Mortgage (Thornburg). With respect to IndyMac, CSS LLC is named as a defendant in a class action, In re IndyMac Mortgage-Backed Securities Litigation, pending in the US District Court for the Southern District of New York (SDNY), brought on behalf of purchasers of securities in various IndyMac RMBS offerings. On May 17, 2013, the parties in the suit agreed to a stipulation adding 36 additional offerings to the action, which is subject to court approval. Certain investors sought to intervene in the action to assert claims with respect to additional RMBS offerings. The SDNY denied in part the investors' motions to intervene, and the proposed intervenors appealed that ruling. On June 27, 2013, the US Court of Appeals for the Second Circuit affirmed the SDNY's ruling. Plaintiffs' motion for reconsideration of the court's June 21, 2010 decision on defendants' motion to dismiss was granted on July 23, 2013. With the additional 36 offerings, the claims against CSS LLC and numerous other underwriters and individual defendants relate to approximately USD 26 billion of IndyMac RMBS offerings. CSS LLC served as an underwriter with respect to approximately 34.2% of the IndyMac RMBS at issue or approximately USD 8.9 billion. In a second IndyMac-related class action, Tsereteli v. Residential Asset Securitization Trust 2006-A8, in which CSS LLC was the sole underwriter defendant, the parties reached a settlement in the amount of USD 11 million, which was approved by the SDNY and the entire action was thereby resolved. A further class action lawsuit pending in the SDNY against CSS LLC and certain affiliates and employees, New Jersey Carpenters Health Fund v. Home Equity Mortgage Trust 2006-5, relates to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants. On March 17, 2014, the SDNY granted plaintiff's motion for class certification for the second of the two RMBS offerings, having previously certified the class for purchasers of the first offering. With respect to a putative class action in the US District Court for the District of New Mexico, Genesee County Employees' Retirement System v. Thornburg, in which CSS LLC was a named defendant, the parties reached a settlement in the amount of USD 11.5 million, which was approved by the court and the entire action was thereby resolved.

#### Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, along with other defendants, are defendants in: two actions brought by Cambridge Place Investment Management Inc. in Massachusetts state court, in which claims against CSS LLC, following the court's motion to dismiss ruling dismissing certain claims, relate to less than USD 525 million of the RMBS at issue, in an amount to be determined; one action brought by The Charles Schwab Corporation in California state court, in which claims against CSS LLC and its affiliates relate to USD 125 million of the RMBS at issue (approximately 9% of the USD 1.4 billion at issue against all defendants in the operative pleading); one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); three actions brought by the FDIC, as receiver for Colonial Bank: one action in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading), one action in the Circuit Court of Montgomery County, Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading), and one action in the US District Court for the Central District of California, in which claims against CSS LLC relate to approximately USD 34 million of the RMBS at issue (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading); one action brought by Commerzbank AG London Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 148 million of the RMBS at issue (approximately 6% of the USD 2.3 billion at issue against all defendants in the operative pleading); six individual actions brought by the Federal Home Loan Banks of Seattle, San Francisco, Chicago, Indianapolis and Boston in various state and federal courts, in which claims against CSS LLC and its affiliates relate to approximately USD 249 million in the Seattle action, approximately USD 2.2 billion in the San Francisco actions (approximately 11% of the USD 19 billion at issue against all defendants in the operative pleadings), approximately USD 38 million in the Chicago action (approximately 1% of the USD 3.3 billion at issue against all defendants in the operative pleading), approximately USD 224 million in the Indianapolis action (approximately 9% of the USD 2.6 billion at issue against all defendants in the operative pleading), and USD 373 million in the Boston action (approximately 7% of the USD 5.7 billion at issue against all defendants in the operative pleading); one action brought by the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, in the SDNY, in which claims against CSS LLC relate to approximately USD 230 million of the RMBS at issue (approximately 26% of the USD 880 million at issue against all defendants in the operative pleading); one action brought by John Hancock Life Insurance Co. (U.S.A.) and affiliated entities in the US District Court for the District of Minnesota, in which claims against CSS LLC relate to an unstated amount of the RMBS at issue; two actions brought by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employee relate to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings); one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; and one action brought by the Western & Southern Life Insurance Company and affiliated entities in Ohio state court, in which claims against CSS LLC and its affiliates relate to approximately USD 260 million of the RMBS at issue (approximately 94% of the USD 276 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates and/or employees are the only defendants named in: one action brought by Allstate Insurance Company in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 187 million of RMBS; one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 138 million of RMBS; one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS; one action brought by Minnesota Life Insurance Company and affiliated entities in Minnesota state court, in which claims against CSS LLC and its affiliates relate to approximately USD 43 million of RMBS; two actions brought by the National Credit Union Administration Board: one as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliate relate to approximately USD 311 million of RMBS, and one as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 229 million of RMBS; one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of RMBS; one action brought by The Prudential Insurance Company of America and affiliated entities in the US District Court for the District of New Jersey, in which claims against CSS LLC and its affiliates relate to approximately USD 461 million of RMBS; one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS; one dismissed action initially brought by The Union Central Life Insurance Company and affiliated entities in the SDNY, in which there is a pending letter motion to propose a second amended complaint in which claims against CSS LLC and its affiliates and employees relate to approximately USD 65 million of RMBS. These actions are at early or intermediate procedural points.

As disclosed in Credit Suisse's quarterly Financial Reports for 2013, individual investor actions discontinued during the course of 2013 included the following: one of two actions brought by the Federal Home Loan Bank of Chicago against CSS LLC and other financial institutions; one of four actions against CSS LLC brought by the FDIC, as receiver for Colonial Bank; Federal Housing Finance Agency v. JPMorgan Chase & Co., one of the FHFA's actions against CSS LLC and its affiliates and employees and other financial institutions; the action brought by Phoenix Light SF Ltd., with leave to replead, which resulted in the filing of a new action; following a settlement, the action brought by Sealink Funding Limited against CSS LLC and its affiliates; following a settlement, the action brought by Stichting Pensioenfonds ABP against CSS LLC and its affiliates and employees; and, following a settlement, the action brought by West Virginia Investment Management Board against CSS LLC. In addition, on February 14, 2014, as a result of a settlement, the SDNY entered a stipulation of voluntary dismissal with prejudice, discontinuing FHFA v. Morgan Stanley, one of the FHFA's actions against CSS LLC and its affiliates and employees, and other financial institutions, relating to approximately USD 1.4 billion of RMBS at issue against CSS LLC. Further, on March 21, 2014, CSS LLC and certain affiliates and employees entered into an agreement with the FHFA to settle all claims in two of three remaining actions filed by the FHFA in the SDNY for USD 885 million, which amount was partially covered by existing provisions. The actions settled on March 21, 2014 related to approximately USD 16.6 billion of RMBS at issue against the Credit Suisse defendants. Additionally, on March 25, 2014, a stipulation of voluntary discontinuance with prejudice was filed with the SCNY, discontinuing the two consolidated actions brought by Landesbank Baden-Württemberg and affiliated entities against CSS LLC and other financial institutions, relating to approximately USD 200 million of RMBS at issue against CSS LLC.

### Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in three pending actions, each commenced by a monoline insurer. The insurers include MBIA Insurance Corp. (MBIA), Assured Guaranty Corp. (Assured), and Financial Guaranty Insurance Company (FGIC), each of which guaranteed payments of principal and interest related to approximately USD 770 million, USD 570 million, and

USD 240 million of RMBS, respectively, issued in eight different offerings sponsored by Credit Suisse. One theory of liability advanced by the monoline insurers is that an affiliate of CSS LLC must repurchase affected mortgage loans from the trusts at issue. In each action, plaintiffs claim that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that CSS LLC and its affiliates have failed to repurchase the allegedly defective loans. In addition, the monoline insurers allege claims for fraud, fraudulent inducement, material misrepresentations, and breaches of warranties, repurchase obligations, access rights and servicing obligations, and reimbursement. MBIA, Assured and FGIC have submitted repurchase demands for loans with an original principal balance of approximately USD 475 million, USD 2.2 billion and USD 37 million, respectively. These actions are pending in the SCNY and are at early or intermediate procedural points. Further, on November 15, 2013, CIFG Assurance North America, Inc. (CIFG) filed an action against CSS LLC in the SCNY, relating to financial guaranty insurance issued by CIFG on a credit default swap guaranteeing payment on approximately USD 396 million of notes of a collateralized debt obligation. CIFG alleges material misrepresentation in the inducement of an insurance contract and fraud relating to alleged affirmative misrepresentations and material omissions made to induce CIFG to guarantee the securities.

#### Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 319 million; one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436 million; one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 400 million; one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206 million; one action brought by Asset Backed Securities Corporation Home Equity Loan Trust Series AMQ 2007-HE2, in which no damages amount is alleged; one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495 million; and one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500 million, and alleges that SPS likely discovered DLJ's alleged breaches of representations and warranties but did not notify the trustee of such breaches, in alleged violation of its contractual obligations. These actions are brought in the SCNY and are at early procedural points.

As disclosed in Credit Suisse's fourth quarter Financial Report of 2013, the following repurchase actions were dismissed with prejudice in 2013: the three consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ.

### Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York State court (later removed to the Southern District of New York) by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 IPO. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part the motion to dismiss, which left intact part of plaintiffs' claim for aiding and abetting fraud. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court has not yet issued a final judgment as to CSS LLC, and the dismissal of the claims against CSS LLC will be subject to appeal.

### Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided for all four developments, which have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention to have the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. Plaintiffs demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. After the filing of amended complaints and motions to dismiss, the claims were significantly reduced. On September 24, 2013, the court denied the plaintiffs' motion for class certification so the case cannot proceed as a class action. The Bank and other affiliates are also the subject of certain other related litigation regarding these four and other similar real estate developments.

**Auction Rate Securities**

On May 27, 2009, Elbit Systems Ltd (Elbit) filed a complaint against the Group in the US District Court for the Northern District of Illinois, seeking approximately USD 16 million related to the purchase of auction rate securities, alleging federal securities law claims and state law aiding and abetting fraud and unjust enrichment causes of action. The case was transferred to the SDNY. On May 22, 2013, the Group and Elbit settled the lawsuit.

**Tax and securities law matters**

Credit Suisse has been responding to subpoenas and other requests for information from the United States Department of Justice (DOJ), the US Securities and Exchange Commission (SEC) and other authorities involving historical Private Banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and securities laws. In particular, the DOJ is investigating whether US clients violated their US tax obligations and whether Credit Suisse and certain of its employees assisted such clients. The SEC has investigated whether certain of our relationship managers triggered obligations for Credit Suisse or the relationship managers in Switzerland to register with the SEC as a broker-dealer or investment advisor. A limited number of current or former employees have been indicted and two former employees have pleaded guilty (in one case, as to conduct while employed at other financial institutions that did not involve Credit Suisse and in the other case as to conduct while employed at a former Credit Suisse subsidiary prior to 2006 and other financial institutions after 2006). Credit Suisse received a grand jury target letter from the DOJ. We understand that certain US authorities are also investigating other Swiss and non-US financial institutions. We have been conducting an internal investigation and are continuing to cooperate with the authorities both in the US and Switzerland to resolve this matter in a responsible manner that complies with our legal obligations. Our provision of Swiss-based information to these US authorities has been in accordance with permission granted by Swiss authorities. The Group has established a loss contingency provision of CHF 895 million with respect to the tax and securities law matters described in this subsection. The Group had previously disclosed a provision of CHF 470 million with respect to these matters, including CHF 175 million in connection with the settlement with the SEC described in the following paragraph.

On February 21, 2014, Credit Suisse AG reached a settlement with the SEC that resolves the SEC's investigation regarding registration as an investment advisor and broker-dealer. In a settled administrative and cease-and-desist proceeding, the SEC charged Credit Suisse AG with violating Section 15(a) of the US Securities Exchange Act of 1934 (Exchange Act) and Section 203(a) of the US Investment Advisers Act of 1940 (Advisers Act). Specifically, the SEC's Order finds that from at least 2002 through its exit from the US cross-border securities business which Credit Suisse AG began in 2008, Credit Suisse AG, through actions of certain of its relationship managers, violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to US clients at a time when Credit Suisse AG was not registered with the SEC as a broker-dealer or investment advisor. As part of the settlement of the investigation, Credit Suisse AG agreed, among other things, to cease-and-desist from committing or causing any future violations of Section 15(a) of the Exchange Act or Section 203(a) of the Advisers Act and to pay approximately USD 196 million, inclusive of disgorgement of approximately USD 82 million, prejudgment interest of approximately USD 64 million, and a civil money penalty in the amount of USD 50 million. Credit Suisse AG also agreed to the appointment of an independent consultant who will review its cross-border compliance policies with respect to the US securities laws and will verify that Credit Suisse AG has exited the US cross-border business.

**Rates-related matters**

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations. In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but one of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court dismissed a substantial portion of the case against the panel banks, dismissing the RICO and Sherman Act antitrust claims as well as all state law claims, leaving only certain claims under the Commodity Exchange Act based on LIBOR-related instruments entered into after May 30, 2008.

Subsequently, on August 23, 2013, the court rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which are being replead by the plaintiffs. The court held a hearing on defendants' motion to dismiss the remaining claims on February 4, 2014. The matter not consolidated in the multi-district litigation is also in the SDNY, which is considering defendants' motion to dismiss that lawsuit.

The reference rates investigations have also included information requests from regulators regarding trading activities and the setting of benchmark rates in the foreign exchange markets. On March 31, 2014, the Swiss Competition Commission announced a formal investigation of numerous Swiss and international financial institutions, including the Group, in relation to the setting of exchange rates in foreign exchange trading. The Group is cooperating fully with these investigations. The investigations are ongoing and it is too soon to predict the final outcome of the investigations. In addition, Credit Suisse and other financial institutions have been named in a number of related civil class action lawsuits filed in US federal court.

**Singapore MAS matter**

On June 14, 2013, the Monetary Authority of Singapore (MAS) announced it was taking supervisory action against 20 banks for various deficiencies relating to the benchmark processes regarding the Singapore dollar interest rate benchmarks, Singapore Interbank Offered Rates and Swap Offered Rates, and the foreign exchange spot benchmarks commonly used to settle Non-Deliverable Forward foreign exchange contracts. Credit Suisse AG Singapore Branch (CSSB) was one of the named banks. The MAS censured the banks and directed them to adopt measures to address these deficiencies. The MAS has also required 19 of the 20 banks, including CSSB, to set aside additional statutory reserves for a period of one year. CSSB, along with six other panel banks, has been calibrated in the third of five tiers by the MAS and required to set aside additional statutory reserves of SGD 400-600 million, which were deposited with the MAS in a non-interest bearing account. These additional reserves will be returned to each bank within one year, assuming it has satisfied the MAS that it has adopted sufficient measures to address the identified deficiencies.

**CDS-related matters**

In July 2013, the Directorate General for Competition of the European Commission (DG Comp) issued a Statement of Objections (SO) to various entities of thirteen CDS dealer banks, certain Markit entities and the International Swaps and Derivatives Association, Inc. (ISDA) in relation to DG Comp's investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. The next step in the process is for the named entities to provide written responses.

In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the DOJ.

# APPENDIX 7 — A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this appendix 7 is based on, extracted or reproduced from the website of S&P at https://ratings.standardandpoors.com, the website of Moody's at https://www.moodys.com and the website of Fitch at https://www.fitchratings.com, as at the day immediately preceding the date of this document. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this appendix 7 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this appendix 7 and/or what a credit rating means, you should seek independent professional advice.

**What is a credit rating?**

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

**What do the credit ratings mean?**

Below are guidelines issued by S&P, Moody's and Fitch on what each of their investment-grade ratings means, as at the day immediately preceding the date of this document.

**S&P long-term issuer credit ratings**

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Please refer to https://ratings.standardandpoors.com/about/about-credit-ratings for further details.

**Moody's long-term ratings definitions**

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to https://www.moodys.com/Pages/amr002002.aspx for further details.

**Fitch long-term issuer credit rating scales**

AAA

Highest credit quality. 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA

Very high credit quality. 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A

High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB

Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Modifiers “+” or “-”

These may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the ‘AAA’ long-term rating category.

Please refer to https://www.fitchratings.com/web_content/ratings/fitch_ratings_definitions_and_scales.pdf for further details.

**Rating Outlooks**

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody’s will usually indicate whether the potential direction is likely to be “positive”, “negative”, “stable” or “developing”. A rating outlook issued by Fitch will usually indicate whether the potential direction is likely to be “positive”, “negative”, “stable” or “evolving”. Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

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