

# VIII

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**KPMG AG**  
**Audit Financial Services**  
Badenerstrasse 172  
CH-8004 Zurich

P.O. Box  
CH-8026 Zurich

Telefon +41 44 249 31 31  
Telefax +41 44 249 23 19  
Internet [www.kpmg.ch](http://www.kpmg.ch)

Report of the Statutory Auditor on the 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 financial statements of Credit Suisse AG (the “Bank”), which comprise the balance sheet, statements of income and notes thereto for the year ended December 31, 2014.

*Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Bank’s articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the Bank’s articles of incorporation.



### **Report on Other Legal and Regulatory Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) (Switzerland) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Bank's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink, appearing to read 'S. Ryder'.

Simon Ryder  
*Licensed Audit Expert*  
*Auditor in Charge*

A handwritten signature in black ink, appearing to read 'R. Dicht'.

Ralph Dicht  
*Licensed Audit Expert*  
*Auditor in Charge*

Zurich, Switzerland  
March 20, 2015

## Financial review

The Credit Suisse AG (Bank) parent company (Bank parent company) recorded net operating income of CHF 10,742 million in 2014, down 3% compared to CHF 11,117 million in 2013. After deduction of operating expenses totaling CHF 6,725 million, slightly up from CHF 6,641 million in 2013, gross operating profit was CHF 4,017 million, down CHF 459 million, or 10%, compared to 2013.

Depreciation of noncurrent assets of CHF 4,517 million, which included a CHF 3,891 million impairment of participating interests, increased from CHF 2,894 million in 2013. Valuation adjustments, provisions and losses of CHF 1,930 million in 2014 was up CHF 1,157 million, or 150%, compared to 2013 and included CHF 1,618 million in connection with the final settlement of all outstanding US cross-border matters. Valuation adjustments, provisions and losses of 2013 included CHF 600 million in connection with the US cross-border matters, including CHF 175 million in connection with the settlement with the SEC in February 2014. The resulting operating loss in 2014 was CHF 2,430 million, compared to an operating profit of CHF 809 million in 2013. The Bank parent company recorded a net loss of CHF 3,092 million in 2014, compared to a net profit of CHF 1,066 million in 2013.

Net interest income of CHF 4,069 million in 2014 increased CHF 438 million, or 12%, compared to 2013. Net commission and service fee activities of CHF 5,057 million in 2014 decreased CHF 177 million, or 3%, compared to 2013. The Bank parent company reported net trading income of CHF 1,130 million, up CHF 329 million from 2013, mainly due to trading gains in interest-related instruments and credit products included in other trading gains, partially offset by losses from foreign exchange and banknote trading. Net other ordinary income was CHF 486 million compared to CHF 1,451 million in 2013. The decrease of CHF 965 million, or 67%, was mainly related to lower income from participating interests.

Operating expenses of CHF 6,725 million were up CHF 84 million compared to 2013. Personnel expenses decreased CHF 260 million, or 6%. Property, equipment and administrative costs increased CHF 344 million, or 17%. Extraordinary income in 2014 of CHF 497 million included realized gains from the sale of real estate of CHF 424 million and realized gains from the disposal of participating interests of CHF 68 million, mainly related to the partial sale of the Bank parent company's interest in Euroclear and the liquidation of a subsidiary. The losses realized on the disposal of participating interests of CHF 251 million included realized losses of CHF 236 million from the redemption of the remaining ordinary shares in Credit Suisse Capital (Guernsey) I Limited in the first quarter of 2014, and realized losses of CHF 15 million from the liquidation and sale of three subsidiaries.

Changes in shareholder's equity in 2014 included a capital contribution in kind by the shareholder of CHF 170 million, which included 100% participating interests in Credit Suisse Group Finance (U.S.) Inc. and 42% participating interests in Credit Suisse (Luxembourg) S.A.

At the Annual General Meeting on April 24, 2015, the registered shareholders will be asked to approve the Board of Directors' proposed appropriation of retained earnings, which includes a cash dividend of CHF 10 million. In addition, the registered shareholders will be asked to approve the Board of Directors' proposed dividend in kind with a maximum value of CHF 100 million to be distributed out of the general reserves at the closing of a transaction, but in any event no later than December 31, 2015. The dividend in kind consists primarily of financial assets and financial liabilities.

# Parent company financial statements

## Statements of income

	Reference to notes	2014	in 2013
<b>Net interest income (CHF million)</b>			
Interest and discount income		8,361	8,192
Interest and dividend income from trading portfolio		818	916
Interest and dividend income from financial investments		20	29
Interest expense		(5,130)	(5,506)
<b>Net interest income</b>	<b>3</b>	<b>4,069</b>	<b>3,631</b>
<b>Net commission and service fee activities (CHF million)</b>			
Commission income from lending transactions		696	791
Securities and investment commissions		4,165	4,403
Other commission and fee income		871	723
Commission expense		(675)	(683)
<b>Net commission and service fee activities</b>		<b>5,057</b>	<b>5,234</b>
<b>Net trading income</b>	<b>3</b>	<b>1,130</b>	<b>801</b>
<b>Net other ordinary income (CHF million)</b>			
Income from the disposal of financial investments		2	17
Income from participating interests		232	1,139
Income from real estate		37	31
Other ordinary income		580	550
Other ordinary expenses		(365)	(286)
<b>Net other ordinary income</b>		<b>486</b>	<b>1,451</b>
<b>Net operating income</b>		<b>10,742</b>	<b>11,117</b>
<b>Operating expenses (CHF million)</b>			
Personnel expenses		4,365	4,625
Property, equipment and administrative costs		2,360	2,016
<b>Total operating expenses</b>		<b>6,725</b>	<b>6,641</b>
<b>Gross operating profit</b>		<b>4,017</b>	<b>4,476</b>
Depreciation of noncurrent assets		4,517	2,894
Valuation adjustments, provisions and losses		1,930	773
<b>Operating profit/(loss)</b>		<b>(2,430)</b>	<b>809</b>
Extraordinary income	3	497	807
Extraordinary expenses	3	(251)	(297)
Taxes		(908)	(253)
<b>Net profit/(loss)</b>		<b>(3,092)</b>	<b>1,066</b>

## Balance sheets

	Reference to notes	2014	end of 2013
<b>Assets (CHF million)</b>			
Cash and other liquid assets		61,802	53,508
Money market instruments		5,765	4,480
Due from banks		178,080	168,159
Due from customers		233,422	192,376
Mortgages		116,037	111,041
Securities and precious metals trading portfolio		19,437	19,923
Financial investments		834	800
Participating interests		43,924	36,034
Tangible fixed assets		2,870	3,038
Intangible assets		174	213
Accrued income and prepaid expenses		2,410	2,202
Other assets	5	17,592	14,588
<b>Total assets</b>		<b>682,347</b>	<b>606,362</b>
of which subordinated amounts receivable		2,299	1,264
of which amounts receivable from group companies and qualified shareholders		279,892	250,727
<b>Liabilities and shareholder's equity (CHF million)</b>			
Liabilities from money market instruments	7	79,004	54,544
Due to banks		94,425	101,583
Due to customers, savings and investment deposits		69,204	55,637
Due to customers, other deposits		250,676	240,519
Medium-term notes		1,263	1,884
Bonds and mortgage-backed bonds	7	125,697	89,348
Accrued expenses and deferred income		4,490	3,590
Other liabilities	5	15,426	13,374
Valuation adjustments and provisions	9	562	1,351
<b>Total liabilities</b>		<b>640,747</b>	<b>561,830</b>
Share and participation capital	10	4,400	4,400
General reserves		6,715	6,678
Reserves from capital contributions		26,752	26,619
General legal reserves		33,467	33,297
Other reserves		610	610
Retained earnings carried forward		6,215	5,159
Net profit/(loss)		(3,092)	1,066
<b>Total shareholder's equity</b>	12	<b>41,600</b>	<b>44,532</b>
<b>Total liabilities and shareholder's equity</b>		<b>682,347</b>	<b>606,362</b>
of which subordinated amounts payable		24,221	21,879
of which amounts payable to group companies and qualified shareholders		111,153	118,093

## Off-balance sheet transactions

end of	2014	2013
<b>Off-balance sheet transactions (CHF million)</b>		
Contingent liabilities	207,039	223,448
Irrevocable commitments	114,530	87,108
Liabilities for calls on shares and other equity instruments	42	42
Fiduciary transactions	4,659	5,089
<b>Derivative financial instruments (CHF million)</b>		
Gross positive replacement values	72,174	52,735
Gross negative replacement values	71,117	51,018
Contract volume	4,197,956	4,239,043

The company belongs to the Swiss value-added tax group of Credit Suisse Group, and thus carries joint liability to the Swiss Federal Tax Administration for value-added tax debts of the entire Group.

Contingent liabilities to other Bank entities include guarantees for obligations, performance-related guarantees and letters of comfort issued to third parties. Contingencies with a stated amount are included in the off-balance sheet section of the financial statements. In some instances, the Bank parent company's exposure is not defined as an amount but relates to specific circumstances such as the solvency of subsidiaries or the performance of a service.

Further, as shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.



# Notes to the financial statements

## 1 Description of business activities

The Bank parent company is a Swiss bank with total assets of CHF 682.3 billion and shareholder's equity of CHF 41.6 billion as of December 31, 2014.

The Bank parent company is a 100% subsidiary of Credit Suisse Group AG domiciled in Switzerland.

The Bank parent company provides private banking and investment banking services which include comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. Private clients include ultra-high-net-worth and

high-net-worth individuals around the globe, in addition to affluent and retail clients in Switzerland. The Bank parent company's services to corporate and institutional clients focus on the Swiss home market. Its service offering to private, corporate and institutional clients comprise of asset management services, which includes a wide range of investment products and solutions across a diversified range of asset classes, with a focus on alternative, traditional and multi-asset portfolios in many areas with a broad offering for emerging markets-related investment opportunities.

## 2 Accounting and valuation policies

### Basis for accounting

The Bank parent company's stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks, the corresponding Implementing Ordinance and the [Swiss Financial Market Supervisory Authority FINMA \(FINMA\) Circular 2008/2, "Accounting – banks"](#) (Swiss GAAP statutory).

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the US (US GAAP), which differ in certain material respects from Swiss GAAP statutory.

▶ Refer to "Note 1 – Summary of significant accounting policies" in VII – Consolidated financial statements – Credit Suisse (Bank) for a detailed description of the Bank's accounting and valuation principles.

▶ Refer to "Note 38 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

Additional differences between US GAAP and Swiss GAAP statutory are stated below and should be read in conjunction with Note 1 – Summary of significant accounting policies in VII – Consolidated financial statements – Credit Suisse (Bank).

### Foreign currency translations

Under US GAAP, foreign currency translation adjustments resulting from the consolidation of branches with functional currencies other than the Swiss franc are included in accumulated other comprehensive income/(loss) (AOCI) in shareholders' equity. Under

Swiss GAAP, foreign currency translation adjustments from the consolidation of foreign branches are recognized in trading income.

Under US GAAP, foreign currency translation adjustments for available-for-sale securities are reported in AOCI, which is part of total shareholder's equity, whereas for Swiss GAAP statutory purposes they are included in the statements of income.

### Share-based compensation

Under US GAAP, share-based compensation plans are treated as equity awards. Under Swiss GAAP, such plans are treated as liability awards with changes in [fair value](#) of unsettled awards recognized in the statements of income.

### Treasury shares and derivatives on own shares

Under US GAAP, treasury shares are recognized at cost directly in equity. Under Swiss GAAP, own shares and [derivatives on own shares](#) are recognized as assets or liabilities. Treasury shares can be classified as trading assets and marked to market through the statements of income or as financial investment carried at lower of cost or market. Derivatives on own shares are reported at fair value in other assets or other liabilities.

### Derivatives used for fair value hedging

Under US GAAP, the full amount of unrealized losses on derivatives classified as hedging instruments and the corresponding gains on the hedged available-for-sale securities are recognized in income. Under Swiss GAAP, the amount representing the portion exceeding the historical cost of the hedged financial investments is recorded in the compensation account.

### Deferred taxes

US GAAP allows the recognition of deferred tax assets on net operating loss carry-forwards. Such recognition is not allowed for Swiss GAAP statutory purposes.

### Investments in equity securities

Under US GAAP, investments in equity securities where the Bank parent company has the ability to significantly influence the operating and financial policies of an investee are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Bank parent company's share of the profit or loss, as well as any impairment on the investee, if applicable, are reported in other revenues. Under Swiss GAAP, neither the equity method of accounting nor the fair value option is allowed for such investments. Investments in equity securities that are held with the intention of a permanent investment are recorded as participating interests irrespective of the percentage ownership of voting shares held. Equity securities held for trading purposes that meet the criteria for trading positions are recorded in the trading portfolio at fair value. Equity securities that are not held for permanent investment purposes and do not qualify as trading portfolio positions are recorded as financial investments at lower of cost or market.

### Participating interests

Participating interests are initially recognized at cost. For the purpose of testing the Bank parent company's participating interests for impairment, the portfolio method is applied. An impairment is recorded if the carrying value of a portfolio of participating interests exceeds its fair value.

### Standards to be adopted in future periods

On April 30, 2014, the Swiss Federal Council approved an encompassing revision of the Swiss Federal Ordinance on Banks and Savings Banks (Banking Ordinance). The revision includes the implementation of the new Swiss accounting legislation of the Swiss Code of Obligations, which was in force since January 1, 2013, for Swiss banks. Although the revision entered into force on January 1, 2015, certain regulations, such as the individual valuation of participations, are subject to transitional provisions until the full implementation of the regulation effective January 1, 2020. On June 3, 2014, FINMA published Circular 2015/1 "Accounting – Banks" which, in conjunction with the revised Banking Ordinance, contains the new accounting guidelines and reporting duties for Swiss financial groups and conglomerates, banks and securities dealers, including the Bank parent company. Circular 2015/1 entered into effect on January 1, 2015. The Bank parent company will present its annual report 2015 under the new guidance.

Under the new accounting legislation for Swiss banks and Circular 2015/1, key changes include the individual valuation of participations and other noncurrent assets, new guidance on the fair value option and enhanced disclosure requirements for annual and semi-annual financial reports.

### Notes on risk management

► Refer to "Note 8 – Trading revenues" and "Note 30 – Derivatives and hedging activities" in VII – Consolidated financial statements – Credit Suisse (Bank) for information on the Bank parent company's policy with regard to risk management and the use of financial derivatives.

### Subsequent events

On January 15, 2015, the Swiss National Bank (SNB) decided to discontinue the minimum exchange rate of CHF 1.20 per euro and to lower the interest rate by 50 basis points to (0.75)% on sight deposits that exceed a certain threshold. It also decreased the target range for the three-month Swiss franc LIBOR. These decisions led to a significant strengthening of the Swiss franc against all major currencies and a decrease in Swiss franc interest rates.

### 3 Additional information on the parent company statements of income

in	2014	2013
<b>Net trading income (CHF million)</b>		
Income/(loss) from trading in interest-related instruments	1,094	(323)
Income/(loss) from trading in equity instruments	64	377
Income/(loss) from foreign exchange and banknote trading	(390)	1,061
Income/(loss) from precious metals trading	(63)	51
Other gains/(losses) from trading	425	(365)
<b>Total net trading income</b>	<b>1,130</b>	<b>801</b>
in	2014	2013
<b>Extraordinary income and expenses (CHF million)</b>		
Gains realized from the disposal of participating interests	68 <sup>1</sup>	230 <sup>2</sup>
Gains realized from the sale of real estate	424	156
Release of reserves for general banking risks and other provisions	0	320 <sup>3</sup>
Other extraordinary income <sup>4</sup>	5	101
<b>Extraordinary income</b>	<b>497</b>	<b>807</b>
Losses realized from the disposal of participating interests	(251) <sup>5</sup>	(288) <sup>6</sup>
Other extraordinary expenses	0	(9)
<b>Extraordinary expenses</b>	<b>(251)</b>	<b>(297)</b>
<b>Total net extraordinary income and expenses</b>	<b>246</b>	<b>510</b>

<sup>1</sup> Primarily related to the partial sale of the Bank parent company's participating interests in Euroclear and the liquidation of a subsidiary.

<sup>2</sup> Primarily related to the sale of the ETF business to BlackRock and the sale of the equity and debt underwriting and advisory businesses in France to Credit Suisse Securities (Europe) Ltd.

<sup>3</sup> Includes the release of replacement reserves.

<sup>4</sup> Substantially all related to prior periods.

<sup>5</sup> Includes realized losses of CHF 236 million from the redemption of the remaining ordinary shares in Credit Suisse Capital (Guernsey) I Limited in the first quarter of 2014, and realized losses of CHF 15 million from the liquidation and sale of three subsidiaries.

<sup>6</sup> Includes realized losses of CHF 218 million from the partial redemption of ordinary shares in Credit Suisse Capital (Guernsey) I Limited in December 2013, and realized losses of CHF 70 million from the repatriation and liquidation of three participating interests.

#### Net interest income

Negative interest income is debited to interest income and negative interest expense is credited to interest expense. In 2014 and 2013, negative interest income and negative interest expense were immaterial.

### 4 Pledged assets and assets under reservation of ownership

end of	2014	2013
<b>Pledged assets and assets under reservation of ownership (CHF million)</b>		
Assets pledged and assigned as collateral	25,386	25,534
Actual commitments secured	20,851	13,669

## 5 Other assets and other liabilities

end of	2014	2013
<b>Other assets (CHF million)</b>		
Net positive replacement values	16,858	13,608
Other	734	980
<b>Total other assets</b>	<b>17,592</b>	<b>14,588</b>
<b>Other liabilities (CHF million)</b>		
Net negative replacement values	14,197	12,156
Other	1,229	1,218
<b>Total other liabilities</b>	<b>15,426</b>	<b>13,374</b>

## 6 Securities borrowing and securities lending, repurchase and reverse repurchase agreements

end of	2014	2013
<b>Securities borrowing and securities lending, repurchase and reverse repurchase agreements (CHF million)</b>		
Due from banks	16,544	18,177
Due from customers	10,378	518
<b>Cash collateral paid for securities borrowed and reverse repurchase agreements</b>	<b>26,922</b>	<b>18,695</b>
Due to banks	7,710	12,588
Due to customers	321	339
<b>Cash collateral received for securities lent and repurchase agreements</b>	<b>8,031</b>	<b>12,927</b>
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	4,626	4,747
of which transfers with the right to resell or repledge	4,611	4,747
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	58,751	46,402
of which resold or repledged	24,451	26,150

## 7 Balance sheet items that include issued structured products at fair value

end of	2014		2013	
	Total book value	Of which reported at fair value	Total book value	Of which reported at fair value
<b>Balance sheet items that include issued structured products at fair value (CHF million)</b>				
Liabilities from money market instruments	79,004	10,016	54,544	7,061 <sup>1</sup>
Bonds and mortgage-backed bonds	125,697	20,848	89,348	12,990 <sup>1</sup>
<b>Total</b>	<b>204,701</b>	<b>30,864</b>	<b>143,892</b>	<b>20,051<sup>1</sup></b>

<sup>1</sup> Prior period has been corrected.

## 8 Liabilities due to own pension plans

Liabilities due to the Bank parent company's own pension plans as of December 31, 2014 and 2013 of CHF 3,131 million and CHF 2,841 million, respectively, are reflected in various liability accounts in the Bank parent company's balance sheet.

▶ Refer to "Note 29 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information.

### Swiss pension plan

The Bank parent company's employees are covered by the pension plan of the "Pensionskasse der Credit Suisse Group AG (Schweiz)" (the Swiss pension plan). All Swiss subsidiaries of Credit Suisse Group AG participate in this plan. The Swiss pension plan is an independent self-insured pension plan set up as a trust

and qualifies as a defined contribution plan (savings plan) under Swiss law.

As of January 1, 2013, all covered active employees, which previously were insured in the annuity section of the pension plan, were converted to the savings section. The impact from this conversion was recognized by the Bank parent company upon announcement of this plan amendment in 2011. The annuity section of the plan has ceased accruing new benefits.

The Swiss pension plan's annual financial statements are prepared in accordance with Swiss GAAP FER 26 based on the full population of covered employees. Individual annual financial statements for each participating company are not prepared. As a multi-employer plan with unrestricted joint liability for all participating companies, the economic interest in the Swiss pension plan's over- or underfunding is allocated to each participating company based on an allocation key determined by the plan.

### Pension plan economic benefit/(obligation), pension contributions accrued and pension expenses

end of / in	Bank parent company's share in over/(under) -funding <sup>1</sup>	Economic benefit/(obligation) recorded by Bank parent company <sup>2</sup>			Pension contributions	Pension expenses included in personnel expenses	
	2014	2014	2013	Change	2014	2014	2013
<b>CHF million</b>							
Pension plan – status overfunded	1,980	–	–	–	428	428 <sup>3</sup>	412 <sup>4</sup>

<sup>1</sup> Represents the Bank parent company's share of 93.91% in the total overfunding of the Swiss pension plan of CHF 2,108 million.

<sup>2</sup> In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

<sup>3</sup> Includes an increase of employer contribution reserves of CHF 7 million.

<sup>4</sup> Includes a release of employer contribution reserves of CHF 51 million, which were established in 2011 in the context of headcount reductions and the plan amendment announced.

As of December 31, 2014 and 2013, the Bank parent company had an employer contribution reserve of CHF 50 million and CHF 43 million, respectively, of which CHF 16 million and CHF 12 million, respectively, were dedicated to specific events, such as

early retirements, and subject to a waiver by the Bank parent company. In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

### 9 Valuation adjustments and provisions

	Total 2013	Utilized for purpose	Recoveries, endangered interest, currency differences	New charges to income statement	Releases to income statement	Total 2014
<b>Valuation adjustments and provisions (CHF million)</b>						
Provisions for deferred taxes	60	0	(72)	100	(36)	52
Valuation adjustments and provisions for default risks	976	(261)	135	479	(296)	1,033
Valuation adjustments and provisions for other business risks <sup>1</sup>	137	(12)	5	13	(4)	139
Other provisions	1,154 <sup>2,3</sup>	(2,653) <sup>4</sup>	142	1,844 <sup>4</sup>	(116)	371 <sup>2,3</sup>
Subtotal	2,267	(2,926)	282	2,336	(416)	1,543
<b>Total valuation adjustments and provisions</b>	<b>2,327</b>	<b>(2,926)</b>	<b>210</b>	<b>2,436</b>	<b>(452)</b>	<b>1,595</b>
Less direct charge-offs against specific assets	(976)					(1,033)
<b>Total valuation adjustments and provisions as shown in the balance sheet</b>	<b>1,351</b>					<b>562</b>

<sup>1</sup> Provisions are not discounted due to their short-term nature.

<sup>2</sup> Includes provisions in respect of litigation claims of CHF 115 million and CHF 961 million as of December 31, 2014 and 2013, respectively.

<sup>3</sup> Includes provisions for pension benefit obligations from international plans of CHF 3 million and CHF 2 million as of December 31, 2014 and 2013, respectively.

<sup>4</sup> Includes the final settlement regarding all outstanding US cross-border matters with a final settlement amount of CHF 2,510 million and a related pre-tax litigation settlement charge of CHF 1,618 million, which was recognized in the second quarter of 2014.

## 10 Composition of share and participation capital, conversion and reserve capital

end of	2014		2013	
	Quantity	Total nominal value in CHF million	Quantity	Total nominal value in CHF million
<b>Share and participation capital</b>				
Registered shares (at CHF 1.00 par value per share)	4,399,680,200	4,400 <sup>1</sup>	4,399,665,200	4,400 <sup>1</sup>
Participation securities (at CHF 0.01 par value per share)	– <sup>2</sup>	–	1,500,000 <sup>3</sup>	0 <sup>4</sup>
<b>Total share and participation capital</b>		<b>4,400</b>		<b>4,400</b>
<b>Conversion and reserve capital</b>				
Unlimited conversion capital (at CHF 1.00 par value per share) <sup>5</sup>	unlimited	unlimited	unlimited	unlimited
of which used for capital increases	0	0	0	0
of which reserved for capital instruments outstanding <sup>6</sup>	0	0	0	0
Reserve capital (at CHF 1.00 par value per share) <sup>7</sup>	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

<sup>1</sup> The dividend eligible capital equals the total nominal value. As of December 31, 2014 and 2013, the total nominal value of registered shares was CHF 4,399,680,200 and CHF 4,399,665,200, respectively. Refer to footnotes 2 and 3 for the conversion of participation securities of Class A and Class B into registered shares.

<sup>2</sup> On March 21, 2014, the holders of Class B participation securities irrevocably waived their preference rights and agreed to a conversion of the 750,000 Class B participation securities into 7,500 registered shares of Credit Suisse AG. On the same date, the Articles of Association of Credit Suisse AG were amended accordingly. The conversion into registered shares became effective with the entry in the Commercial Register of the Canton of Zurich on March 24, 2014.

<sup>3</sup> On December 27, 2013, the holders of Class A participation securities irrevocably waived their preference rights and agreed to a conversion of the 750,000 Class A participation securities into 7,500 registered shares of Credit Suisse AG. On the same date, the Articles of Association of Credit Suisse AG were amended accordingly. The waiver of preference rights became effective on December 27, 2013, and conversion into registered shares became effective with the entry in the Commercial Register of the Canton of Zurich on January 16, 2014.

<sup>4</sup> The dividend eligible capital equals the total nominal value. As of December 31, 2013, the total nominal value of participation securities was CHF 15,000. On December 27, 2013, the shareholder of Credit Suisse AG amended the Articles of Association to convert the Class A participation securities into registered shares of Credit Suisse AG. The conversion into registered shares was effective January 16, 2014 (see footnote 3).

<sup>5</sup> For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of Credit Suisse AG.

<sup>6</sup> In the case of a conversion of the Group-internal contingent convertible instruments outstanding as of December 31, 2014 and 2013, respectively, an issuance of 8,695,000 registered shares (subject to adjustments) would have been required.

<sup>7</sup> For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of Credit Suisse AG.

## 11 Major shareholders and groups of shareholders

end of	2014			2013		
	Quantity	Total nominal value in CHF million	Share %	Quantity	Total nominal value in CHF million	Share %
<b>Direct shareholder</b>						
Credit Suisse Group AG	4,399,680,200 <sup>1</sup>	4,400	100%	4,399,665,200 <sup>1</sup>	4,400	100%

<sup>1</sup> All shares with voting rights.

### Indirect shareholders

In a disclosure notification that the Group published on April 6, 2013, Credit Suisse Group AG (Group parent company) was notified that as of February 25, 2013, The Olayan Group, through its registered entity Crescent Holding GmbH, held 88.5 million shares, or 6.7%, of the registered Credit Suisse Group AG shares (Group shares) issued as of the date of the notified transaction. No further disclosure notification was received from The Olayan Group relating to holdings of registered Group shares in 2014.

In a disclosure notification that the Group parent company published on October 31, 2013, the Group parent company was notified that as of October 23, 2013, Qatar Investment Authority, through its registered entity Qatar Holding LLC, held 82.0 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification

was received from Qatar Investment Authority relating to holdings of registered Group shares in 2014.

In a disclosure notification that the Group parent company published on November 9, 2013, the Group parent company was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.2%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014.

In a disclosure notification that the Group parent company published on June 19, 2014, the Group parent company was notified that as of June 16, 2014, Norges Bank held 80.0 million shares, or 5.0%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Norges Bank relating to holdings of registered Group shares in 2014.

## 12 Shareholder's equity

	2014	2013
<b>Shareholder's equity (CHF million)</b>		
Share and participation capital	4,400	4,400
General reserves	6,678	6,644
Reserves from capital contributions	26,619	22,185
General legal reserves	33,297	28,829
Other reserves	610	610
Retained earnings	6,225	5,169
of which carried forward from previous year	5,159	4,986
of which net profit/(loss)	1,066	183
<b>Total shareholder's equity as of January 1</b>	<b>44,532</b>	<b>39,008</b>
Capital contribution	170 <sup>1</sup>	4,468 <sup>2</sup>
Dividend	(10)	(10)
Net profit/(loss)	(3,092)	1,066
<b>Total shareholder's equity as of December 31 (before profit allocation)</b>	<b>41,600</b>	<b>44,532</b>
Share and participation capital	4,400	4,400
General reserves	6,715	6,678
Reserves from capital contributions	26,752 <sup>3</sup>	26,619
General legal reserves	33,467	33,297
Other reserves	610	610
Retained earnings	3,123	6,225
of which carried forward from previous year	6,215	5,159
of which net profit	(3,092)	1,066
<b>Total shareholder's equity as of December 31 (before profit allocation)</b>	<b>41,600</b>	<b>44,532</b>

<sup>1</sup> Represents a contribution in kind of 100% participating interests in Credit Suisse Group Finance (U.S.) Inc. and 42% participating interests in Credit Suisse (Luxembourg) S.A. from Credit Suisse Group AG to the Bank parent company.

<sup>2</sup> Includes a contribution in kind of preferred shares in Credit Suisse Holdings (USA), Inc. from Credit Suisse Group AG to the Bank parent company in the amount of CHF 3,578 million.

<sup>3</sup> Of which CHF 171 million subject to approval by the Swiss Federal Tax Administration.

## 13 Amounts receivable from and amounts payable to affiliated companies and loans to members of the Bank parent company's governing bodies

end of	2014	2013
<b>Amounts receivable from and amounts payable to affiliated companies and loans to members of the Bank parent company's governing bodies (CHF million)</b>		
Amounts receivable from affiliated companies	6,717	5,547
Amounts payable to affiliated companies	993	1,846
Loans to members of the Bank parent company's governing bodies	22	65

## 14 Significant transactions with related parties

Transactions (such as securities transactions, payment transfer services, borrowings and compensation for deposits) with related parties are carried out on an arm's length basis.

## 15 Fire insurance value of tangible fixed assets

end of	2014	2013
<b>Fire insurance value of tangible fixed assets (CHF million)</b>		
Real estate	2,457	2,537 <sup>1</sup>
Other fixed assets	228	245

<sup>1</sup> Prior period has been corrected.

## 16 Liabilities for future payments in connection with operating leases

end of	2014	2013
<b>Liabilities for future payments in connection with operating leases (CHF million)</b>		
Total	1,923	2,113

## 17 Fiduciary transactions

end of	2014	2013
<b>Fiduciary transactions (CHF million)</b>		
Fiduciary placements with third-party institutions	4,659	5,089
<b>Total fiduciary transactions</b>	<b>4,659</b>	<b>5,089</b>

## 18 Number of employees

end of	2014	2013
<b>Number of employees (full-time equivalents)</b>		
Switzerland	16,100	17,100
Abroad	4,300	4,400
<b>Total number of employees</b>	<b>20,400</b>	<b>21,500</b>

## 19 Foreign currency translation rates

	End of		Average in	
	2014	2013	2014	2013
1 USD / 1 CHF	0.99	0.89	0.91	0.93
1 EUR / 1 CHF	1.20	1.23	1.21	1.23
1 GBP / 1 CHF	1.54	1.47	1.51	1.45
100 JPY / 1 CHF	0.83	0.85	0.86	0.95



## 20 Outsourcing of services

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Where the outsourcing of services through agreements with external service providers is considered significant under the terms of

- FINMA Circular 2008/7 “Outsourcing banks” those agreements comply with all regulatory requirements with respect to business

and banking confidentiality, data protection and customer information. At the Bank, outsourcing of services is in compliance with Circular 2008/7.

## 21 Risk assessment

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► Refer to “Note 39 – Risk assessment” in VII – Consolidated financial statements – Credit Suisse (Bank) for information on the Bank parent company’s risk assessment in accordance with the Swiss Code of Obligations.

# Proposed appropriation of retained earnings and distribution from general reserves

## Proposed appropriation of retained earnings

end of	2014
<b>Retained earnings (CHF million)</b>	
Retained earnings carried forward	6,215
Net profit/(loss)	(3,092)
<b>Retained earnings available for appropriation</b>	<b>3,123</b>
Cash dividend	(10)
<b>Retained earnings to be carried forward</b>	<b>3,113</b>

## Proposed distribution from general reserves

end of	2014
<b>General reserves (CHF million)</b>	
<b>Balance before distribution</b>	<b>6,715</b>
Distribution in kind	(100) <sup>1</sup>
<b>Balance after distribution</b>	<b>6,615</b>

<sup>1</sup> Maximum value; to be distributed at the closing of a transaction, but in any event no later than December 31, 2015. The dividend in kind consists primarily of financial assets and financial liabilities.