Credit Suisse International

Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2013

Credit Suisse International

Interim Management Report for the Six Months Ended 30 June 2013

The Directors present their Interim Management Report and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2013.

International Financial Reporting Standards

Credit Suisse International's 2013 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the European Union ('EU'). The Condensed Consolidated Interim Financial Statements comprise Credit Suisse International ('CSi' or the 'Bank') and its subsidiaries – together referred to as the 'CSi group'.

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 22 August 2013.

Business Review

Profile

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

CSi is an unlimited liability company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised under the Financial Services and Markets Act 2000 by the Financial Services Authority ('FSA'). On 1 April 2013 the Financial Services Authority was abolished and the majority of its functions transferred to the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'). CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group') specialising in Investment Banking and Private Banking & Wealth Management. CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its clients through two divisions, Investment Banking and Private Banking & Wealth Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 46,300 employees from approximately 100 different nations.

Principal products/principal product areas

The CSi group has three principal business divisions: Fixed Income, Equities and Investment Banking. These are managed as a part of the Investment Banking Division of CS group.

- The Fixed Income Division ('FID') provides a complete range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, foreign exchange and real-estate related assets.

- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, options and futures and OTC derivatives.
- The Investment Banking Division ('IBD') includes financial advisory services regarding mergers and acquisitions and other matters, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with FID and Equities, capital raising services.

Economic environment

Global economic growth remained weak in the first half of the year. Business activity, though subdued, expanded slightly, showing improvement from the generally weak levels in 2012. In the UK, Gross Domestic Product ('GDP') was estimated to have grown by 0.3 per cent in the first quarter of 2013, largely driven by a stronger performance from the construction sector.

The UK labour market remained weak in the first half of 2013 with the unemployment rate steady at 7.8%. Consumer Price Index ('CPI') inflation stood at 2.9% at the end of June 2013, up from 2012. The largest upward contributions to the change in the rate came from motor fuels and clothing & footwear.

Central banks around the world maintained relaxed fiscal and monetary policies. The Bank of England's Monetary Policy Committee ('MPC') maintained the Bank Rate at 0.5. The MPC also decided to keep the stock of asset purchases financed by the issuance of central bank reserves at £375 billion. The Bank of Japan doubled the size of its asset purchase programme, leading to a sharp fall in the yen and a rise in the volatility of yields on Japanese government bonds ('JGBs'). The European Central Bank ('ECB') also relaxed policy, lowering its main policy rate by a further 25 basis points to 0.5% and signalled that a negative deposit rate was an available measure. The Federal Reserve indicated that it was prepared to increase the pace of its asset purchases. Subsequent improvements in the outlook for the United States, however, and statements from the Federal Reserve Chairman regarding the possible timing of a slowing in the pace of monetary expansion by the central bank, led to rises in US Treasury yields and an appreciation of the dollar.

Financial market and sector environment

The outlook for financial stability is still clouded by risks from a weak and uneven global recovery, and imbalances in the euro zone. In the near term, risks could crystallise if global long-term interest rates were to rise abruptly from current still historically low levels, or if credit spreads were to widen. Further out, risks could accumulate if a search for yield intensifies and assets become progressively mispriced. Market participants have increasingly highlighted concerns about operational risk and confidence in the financial system remains fragile with weak credit growth.

European bank stocks gained in the first quarter, but these gains were largely reversed in the second quarter as measured by the MSCI World Index. North American banks outperformed the broader equity market in the second quarter. Asset prices rose strongly in the early months of 2013.

Both the FTSE All-Share and the S&P 500 equity indices reached record highs in nominal terms in mid-May. The Topix was more volatile but rose by around 40%. Equity market volatility, as indicated by the Chicago Board Options Exchange Market Volatility Index ('VIX'), remained relatively low in the first quarter but started to increase in June.

Financial market sentiment continued to be heavily dependent on investors' expectations of central bank policy. The broad increase in risky asset prices was in part driven by the belief that monetary policy would remain accommodative in the medium term. That belief also contributed to further reductions in sovereign bond yields for countries in the euro zone periphery, despite uncertainty about the resolution of fiscal difficulties within the currency block. Benefitting from their safe-haven status in Europe, German Bunds outperformed US Treasuries during the first quarter. Spain was the best performing large market across euro zone member states, while Italy had the weakest performance. Inflation-linked bonds performed negatively given higher real yields. Corporate investment grade credit spreads widened moderately in US dollars, while they tightened slightly in euros. High yield and emerging markets credit spreads, however, widened considerably in June, reflecting a change in market expectation with regard to the future course of asset purchases by the Fed.

There were also signs that the low-yield environment was supporting prices of physical assets. Residential property prices increased in a number of countries, including in the United Kingdom. In the UK commercial property market, there continued to be strong appetite for investment in high-quality, prime, property with flows dominated by global investors.

Capital market funding for banks remained challenging. Banks took further steps to boost capital and adjust business models to reflect the sector's changing regulatory framework, especially in investment banking. With continued low activity levels, cost pressures remained high in the banking industry, with many institutions continuing to focus on cost-cutting initiatives.

The US dollar strengthened against the euro mainly on the back of the Fed announcement on the asset purchase program and the related rise of US yields. The Japanese yen weakened on account of increased volatility after the Bank of Japan announced its monetary stimulus program and the related decrease in yields. The British pound also weakened significantly against most currencies. Currencies of commodity rich countries such as Australia weakened as commodity prices fell.

Commodity markets had a strong start to the first quarter, driven by improved leading economic indicators. However, in February, these gains reversed amid concerns that the Fed could reduce economic stimulus, and the Credit Suisse Commodity Benchmark ended the first quarter almost unchanged from year end. Energy products were the best performing commodity class, and gold underperformed. During the second quarter commodity markets were under pressure due to falling demand globally especially from China due to the ongoing rebalancing of the Chinese economy away from manufacturing, infrastructure investment and exports to domestic consumption. Lower inflation expectations triggered significant selling activity in gold and silver markets.

Performance

For the first half of 2013, CSi group reported net income attributable to shareholders of USD 388 million (2012: USD 25 million). Net revenues amounted to USD 1,336 million (2012: USD 1,335 million). After operating expenses, CSi group reported profit before taxes of USD 453 million (2012: USD 503 million).

While revenues were flat period on period, the underlying business performance in all 3 divisions was weaker. This was mitigated by the positive impact of an accounting change, lower long term funding charges, and a reduction in the cost of revenue sharing agreements with other CS group companies – described below in more detail.

Divisional performance was as follows:

- Fixed Income revenues fell in the first half of 2013 by 18% to USD 1,179 million compared to the equivalent period in 2012. Revenues were lower in the Rates business, due to reduced client activity. The Emerging Markets business suffered from a global sell off in emerging markets causing a reduction in client flows, with less favourable conditions in volatile and illiquid markets. The Global Credit Products business was adversely impacted by lower trading volumes in secondary credit markets.

- Equity revenues were USD 556 million, a decrease of 4% compared to the equivalent period in 2012. Revenue in Equity Derivatives was strong, partially offset by adverse movements in the Credit Valuation Adjustments ('CVA') and related hedges on uncollaterised equity positions. The Prime Services business reported lower revenues in 2013 due to fewer structured transactions, compared with particularly strong results in the equivalent reporting period last year.

- Investment banking revenues were USD 92 million, a decrease of 31% compared to the equivalent period in 2012. The first half of 2012 included significant one off items that were not repeated in 2013. In addition, revenues allocated from the FID and Equities divisions in relation to derivative transactions with IBD introduced clients decreased.

Note 3 – Segmental Analysis illustrates the region which generated the above revenues.

The deterioration in divisional performance was mitigated by the following:

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

- Reduced cost of revenue sharing agreements with other CS group companies for the period of USD 305 million (2012: USD 457 million).

- Reduction in treasury funding charges to USD 225 million (2012: USD 334 million) due to the maturity of term loans that were then replaced with lower interest-bearing debt. These charges primarily comprise excess funding charges on long term financing versus overnight funding rates, which are only allocated out to the businesses at the CS group level.

- Reduced valuation losses of USD 21 million (2012: USD 58 million loss) as a result of fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness.

The CSi group's interim period operating expenses were USD 883 million (2012: USD 832 million). Compensation costs have decreased by USD 4 million to USD 229 million (2012: USD 233 million) in the first half of 2013. General and administrative expenses increased by USD 55 million to USD 654 million (2012: USD 599 million). This increase was mainly as a result of the impairment of investment property and higher amortisation expenses on intangible assets.

The effective tax rate for the six month period to June was 14.79%. The effective tax rate is lower than the statutory rate primarily due to the effect of the period to date tax return transfer pricing adjustment. The effective tax rate for the similar period in 2012 was 95.03%. In that period the effective tax rate was higher than the statutory rate primarily due to the finalisation of the Advanced Pricing Agreement ('APA') whereby agreement was reached between the UK and US tax Authorities on the allocation of profits and losses to be taxed, as well as the reduction in the UK statutory tax rate.

As at 30 June 2013 the CSi group had total assets of USD 575,759 million (31 December 2012: USD 693,050 million), and total shareholders' equity of USD 15,955 million (31 December 2012: USD 15,567 million).

Outlook

CSi's results for the first half of 2013 demonstrate that the business model is performing well and delivering solid revenues. CSi is making continued progress in evolving the business model in Investment Banking in response to the changed market and regulatory environment. The investment banking sector overall continued to adjust its business model as necessitated by regulatory change.

On June 27, 2013, the final text of the Capital Requirement Directive IV ('CRD IV') was published in the Official Journal of the EU. On 2 August 2013, the UK's Prudential Regulation Authority ('PRA') published the consultation paper 5/13 "Strengthening capital standards: implementing CRD IV". With effect from January 1, 2014, CRD IV will replace the current CRD with new measures implementing Basel III and other requirements. Compliance with these requirements will include, inter alia, receiving certification by the PRA of models with respect to regulatory capital requirements. CSi is in the process of completing a review of these models prior to submission to the PRA. A number of uncertainties remain in relation to the regulatory capital that will be required under CRD IV, and in particular the capital relief that will be available with respect to the new models.

Fair Value Measurement

Financial instruments carried at fair value are categorised under the three levels of the IFRS fair value hierarchy, where Level 3 comprises assets and liabilities for which the inputs for the asset or liability are not based on observable market data (unobservable inputs).

Total Level 3 assets were USD 12,332 million as at 30 June 2013 (31 December 2012: USD

12,664 million), which was equivalent to 2.1% of total assets.

Total Level 3 liabilities were USD 11,169 million as at 30 June 2013 (31 December 2012: USD 11,213 million), which was equivalent to 2.0% of total liabilities.

Selected European credit risk exposures

On a gross basis, before taking into account collateral and CDS hedges, CSi's risk-based sovereign credit risk exposure to Portugal, Italy, Ireland, Greece and Spain as at 30 June 2013 was USD 4.7 billion (net exposure USD 0.7 billion). CSi's non-sovereign risk-based credit risk exposure to these countries as of the end of the interim period included gross exposure to financial institutions of USD 3.5 billion (net exposure USD 0.8 billion) and to corporate and other counterparties of USD 2.3 billion (net exposure USD 2.0 billion).

Capital Resources

Throughout the six months ended 30 June 2013 the Bank has accessed funding from CS group to support its business activities. The Bank continues to monitor and manage its capital and funding requirements on a daily basis. CS group has confirmed that it will ensure that the Bank is able to meet its debt obligations as they fall due and maintain a sound financial position over the foreseeable future.

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank has processes and controls in place to monitor and manage its capital adequacy.

During the period, capital resources were increased through the drawdown of a USD 1.1 billion Lower Tier 2 subordinated loan from Credit Suisse AG.

Issuances of medium and long term debt are set out in Note 13 to the Financial Statements.

Subsidiary Undertakings and Branches

Credit Suisse First Boston International (USA), Inc. and CSFB International Trading, L.L.C. are subsidiary undertakings of the Bank at 30 June 2013 consolidated in the financial statements.

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

Dividends

No dividends have been paid for the period ended 30 June 2013 (2012: USD Nil).

Directors

Changes in the directorate since 31 December 2012 and up to the date of this report are as follows:

Gael de Boissard and Michael Hodgson were appointed as Directors with effect from 28 March 2013.

Richard Thornburgh (non-executive) and Gary Bullock were appointed as Directors with effect from 21 August 2013.

None of the directors who held office at the end of the period was directly beneficially interested, at any time during the year, in the shares of the Bank.

Directors of the CSi group benefited from qualifying third party indemnity provisions in place during the interim period and at the date of this report.

Subsequent Events

The Finance Act 2013, which passed into law on 17 July 2013, included a reduction in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. If the rate reduction had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by a further USD 181 million.

Credit Suisse International
Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 22 August 2013:

C D Carpmael

Chris Carpmael

Director

Credit Suisse International

Condensed Consolidated Interim Statement of Comprehensive income for the six months ended 30 June 2013 (Unaudited)

	Reference to notes	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Condensed consolidated interim statement of comprehensive income (USD million)			
Interest income		409	582
Interest expense		(467)	(656)
Net interest expense	4	(58)	(74)
Commission and fee income		87	79
Commission and fee expense		(66)	(78)
Net commission and fee income	6	21	1
Release of provision for credit losses	5	6	41
Net gains from financial assets/liabilities at fair value through profit or loss	10	1,682	1,830
Other revenue	7	(315)	(463)
Net revenues		**1,336**	**1,335**
Compensation and benefits	8	(229)	(233)
General and administrative expenses	9	(654)	(599)
Total operating expenses		**(883)**	**(832)**
Profit before taxes		**453**	**503**
Income tax charge	12	(67)	(478)
Net profit/total comprehensive income		**386**	**25**
Attributable to noncontrolling interest		**(2)**	**-**
Attributable to Credit Suisse International shareholders		**388**	**25**

Profit for both 2013 and 2012 is from continuing operations.

The notes on pages 11 to 48 are an integral part of these condensed financial statements.

Credit Suisse International

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2013 (Unaudited)

	Reference to notes	30 June 2013	31 December 2012
Assets (USD million)			
Cash and due from banks		10,755	18,690
Interest-bearing deposits with banks		2,596	2,525
Securities purchased under resale agreements and securities borrowing transactions		23,686	24,103
Trading financial assets at fair value through profit or loss	11	452,851	557,333
Of which positive market values from derivative instruments	14	411,661	506,232
Financial assets designated at fair value through profit or loss		22,623	20,128
Other loans and receivables		13,451	13,509
Other investments		32	33
Investment property		487	518
Current tax assets		67	71
Deferred tax assets		1,383	1,450
Other assets		47,121	53,960
Intangible assets		464	465
Property and equipment		243	265
Total assets		**575,759**	**693,050**
Liabilities and shareholders' equity (USD million)			
Deposits		4,956	4,844
Securities sold under repurchase agreements and securities lending transactions		6,276	4,874
Trading financial liabilities at fair value through profit or loss	11	427,392	525,737
Of which negative market values from derivative instruments	14	416,665	514,265
Financial liabilities designated at fair value through profit or loss		30,737	36,644
Short term borrowings		25,576	29,718
Other liabilities		40,883	44,966
Provisions		20	24
Long term debt	13	23,944	30,654
Total liabilities		**559,784**	**677,461**
Shareholders' equity			
Called-up share capital	15	3,108	3,108
Share premium	15	12,699	12,699
Retained earnings		148	(240)
Total shareholders' equity		**15,955**	**15,567**
Noncontrolling interest		20	22
Total equity		**15,975**	**15,589**
Total liabilities and shareholders' equity		**575,759**	**693,050**

The accompanying notes on pages 11 to 48 are an integral part of these condensed financial statements.

Approved by the Board of Directors on 22 August 2013 and signed on its behalf by:

C D Carpmael

Chris Carpmael

Director

Credit Suisse International

Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2013 (Unaudited)

	Called up Share Capital	Share Premium	Retained Earnings	Non controlling Interest	Total
Condensed consolidated interim statement of changes in equity (USD million)					
Balance at 1 January 2013	**3,108**	**12,699**	**(240)**	**22**	**15,589**
Total comprehensive income for the period					
Net profit for the period	-	-	388	(2)	386
Balance at 30 June 2013	**3,108**	**12,699**	**148**	**20**	**15,975**

	Called up Share Capital	Share Premium	Retained Earnings	Non controlling Interest	Total
Condensed consolidated interim statement of changes in equity (USD million)					
Balance at 1 January 2012	**9,625**	**1,016**	**494**	**-**	**11,135**
Total comprehensive income for the period					
Net profit for the period	-	-	25	-	25
Transactions with the shareholders, recognised directly in equity					
Cancellation of shares relating to capital restructuring[1]	-	-	-	-	-
Reduction in face value of Ordinary shares[2]	-	-	-	-	-
Transfer of Participating shares relating to capital restructuring	(3,951)	3,951	-	-	-
Transfer of Preference shares relating to capital restructuring	(5,235)	5,235	-	-	-
Issuance of Participating shares relating to capital restructuring	581	(581)	-	-	-
Conversion of subordinated debt to Participating shares relating to capital restructuring	329	2,634	-	-	2,963
Issue of Participating shares	56	444	-	-	500
Balance at 30 June 2012	**1,405**	**12,699**	**519**	**-**	**14,623**

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

There were no dividends paid during the six months ended 30 June 2013 (Six months ended 30 June 2012: Nil).

The accompanying notes on pages 11 to 48 are an integral part of these condensed financial statements.

Credit Suisse International

Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2013 (Unaudited)

	Reference to notes	30 June 2013	30 June 2012
Cash flows from operating activities (USD million)			
Profit before tax for the period		453	503
Adjustments to reconcile net profit to net cash used in operating activities (USD million)			
Non-cash items included in net profit before tax and other adjustments:			
■ Depreciation and amortisation		117	106
■ Impairment of investment property		43	14
■ Loss on disposal of property and equipment		1	-
■ Loss on disposal of intangible assets		16	-
■ Accrued interest on long term debt	4	209	293
■ Release of allowance for loan loss	5	(6)	(41)
■ Foreign exchange gains		(186)	(243)
■ Provisions		20	22
Total adjustments		214	151
Cash generated before changes in operating assets and liabilities		**667**	**654**
Net decrease/(increase) in operating assets:			
■ Securities purchased under resale agreements and securities borrowing transactions		417	2,112
■ Trading financial assets at fair value through profit or loss		104,483	1,409
■ Financial assets designated at fair value through profit or loss		(2,495)	(1,639)
■ Other loans and receivables		64	470
■ Other assets		6,839	(1,425)
Net decrease in operating assets		**109,308**	**927**
Net (decrease)/increase in operating liabilities:			
■ Deposits		110	(545)
■ Securities sold under resale agreements and securities lending transactions		1,402	3,405
■ Trading financial liabilities at fair value through profit or loss		(98,345)	(4,609)
■ Financial liabilities designated at fair value through profit or loss		(5,907)	5,562
■ Short term borrowings		(4,142)	(4,263)
■ Other liabilities and provisions		(4,094)	3,435
■ Share based compensation		(13)	(39)
Net (decrease)/increase in operating liabilities		**(110,989)**	**2,946**
■ Income taxes refund		2	3
■ Income taxes paid		(3)	(2)
Net cash generated (used in)/from operating activities		**(1,015)**	**4,528**
Cash flows from investing activities (USD million)			
Capital expenditure for property, equipment and intangible assets		(111)	(98)
Net cash used in investing activities		**(111)**	**(98)**
Cash flow from financing activities (USD million)			
Issuance of long term debt	13	2,730	30
Issue of shares		-	500
Repayment of long term debt		(9,470)	(510)
Net cash flow (used in) / generated from financing activities.		**(6,740)**	**20**
Net (decrease) /increase in cash and due from banks		**(7,866)**	**4,450**
Cash and due from banks at beginning of period		19,022	12,568
Cash and due from banks at end of period (USD million)		**11,156**	**17,018**
Cash and due from banks		10,755	21,968
Demand deposits		(2,195)	(5,060)
Interest-bearing deposits with banks		2,596	110
Cash and due from banks at end of period (USD million)		**11,156**	**17,018**

The accompanying notes on pages 11 to 48 are an integral part of these condensed financial statements.

1. General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 22 August 2013.

2. Significant Accounting Policies

a) Basis of preparation

The accompanying unaudited condensed consolidated financial statements of the CSi group are prepared in accordance with IAS 34 "Interim Financial Reporting" ('IAS 34') as adopted for use in the European Union ('EU') and are stated in United States Dollars ('USD') rounded to the nearest million. Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the IFRS consolidated financial statements and notes thereto for the year ended 31 December 2012. Except as described below, the accounting policies applied by the CSi group in these condensed consolidated interim financial statements are the same as those applied by the CSi group in its consolidated financial statements for the year ended 31 December 2012.

The condensed consolidated interim financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships and financial instruments designated by the CSi group as at fair value through profit and loss.

The preparation of condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated Interim Statement of Financial Position and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from management's estimates.

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

The CSi group and the Bank have unrestricted and direct access to funding sources of CS group. After making enquiries of the CS group, the Directors of the Bank have received a confirmation that CS group will ensure that the Bank maintains a sound financial position and is able to meets its debt obligations for the foreseeable future. The Bank has also reviewed its capital requirements in light of forthcoming CRD IV capital standards. Whilst a number of uncertainties remain, in relation to the regulatory capital that will be required under CRD IV, and in particular the capital relief that will be available with respect to the new models to be certified by the PRA, the bank believes that the capital requirements under CRD IV will be met by changes in the underlying business as well as support from CS group, as needed. Accordingly the Directors have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

Standards and Interpretations effective in the current period

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

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: In June 2011, the IASB issued "Presentation of Items of Other Comprehensive Income" (Amendments to IAS 1). The amendments require entities to group together items within Other Comprehensive Income that will and will not subsequently be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in Other Comprehensive Income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments impact presentation only, and therefore the adoption of the amendments on 1 January 2013 did not have an impact on the CSi group's financial position, results of operations or cash flows.

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

- IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 defines fair value, sets out a framework for measuring fair value and requires certain disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. The adoption of IFRS 13 on 1 January 2013 resulted in a credit to the income statement of USD 104 million as a result of a change in application of valuation methodology in marking instruments within the bid-offer spread. In addition IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs. Please refer to Note 19 for further information.

- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7). The amendments require disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments to IFRS 7 relate to disclosure only and therefore have no impact upon adoption. The disclosures required as a result of adoption will be included in the financial statements for the year ending 31 December 2013 as these are condensed financial statements.

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

Standards and Interpretations endorsed by the EU and not yet effective

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

- IFRS 10 Consolidated Financial Statements: In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. IFRS 10 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting IFRS 10.

- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11 "Joint Arrangements" (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. IFRS 11 is effective for annual periods beginning on or after 1 January 2013, however, the EU requires adoption for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting IFRS 11.

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

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

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

- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014. The CSi group is currently evaluating the impact of adopting the IAS 32 amendments.

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

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

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

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 "Financial Instruments" (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. The effective date of IFRS 9 was revised in December 2011, making it applicable for annual periods beginning 1 January 2015. The CSi group is currently evaluating the impact of adopting IFRS 9.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued "Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27" (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. The Investment Entities Amendment is effective from 1 January 2014 with early adoption permitted. The CSi group is currently evaluating the impact of adopting the Investment Entities Amendment.

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

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

3. Segmental Analysis

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

Fixed Income: The fixed income division (FID) operates in rates, foreign exchange, credit, structured products trading, emerging markets, and commodities markets. The operations also include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination, CMBS and Commodities. The product suite covers both cash and OTC derivatives including government

	bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps, and listed options across product classes.
Equities:	The activities of the equities division include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities.
Investment banking:	The investment banking division ('IBD') service offering includes mergers and acquisitions, debt, equity and other capital raising activities.

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

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

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

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

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Revenues (USD million)		
Fixed Income	1,179	1,436
Equities	556	580
Investment banking	92	133
Total	**1,827**	**2,149**

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

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Revenues (USD million)		
EMEA[1]	1,158	1,362
Americas	278	517
Switzerland	-	(14)
Asia	391	284
Total	**1,827**	**2,149**

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

Reconciliation of reportable segment revenues

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments – Management Information	1,827	2,149
Revenue sharing agreements	(305)	(457)
Treasury funding	(225)	(334)
Other corporate items[1]	(66)	(53)
CS group to primary reporting reconciliations[2]	105	30
Net Revenues per statement of comprehensive income	**1,336**	**1,335**

1. Significant item being fair value changes in issued structured notes due to changes in the CSi group's own creditworthiness.
2. This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS, and also includes the impact of adopting IFRS13.

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

CSi group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totalling USD 1,194 million (31 December 2012: USD 1,248 million), all of which are located in EMEA.

4. Net Interest Expense

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Net interest expense (USD million)		
Other loans and receivables	242	296
Securities purchased under resale agreements and securities borrowing transactions	74	80
Cash collateral paid on OTC derivatives transactions	38	91
Cash and cash equivalents and loans	55	115
Interest income	**409**	**582**
Deposits	(7)	(2)
Short term borrowings	(165)	(226)
Securities sold under resale agreements and securities lending transactions	(45)	(40)
Long term debt	(209)	(293)
Cash collateral received on OTC derivatives transactions	(41)	(95)
Interest expense	**(467)**	**(656)**
Net interest expense	**(58)**	**(74)**

5. Release of Provision/(Provision) for Credit Losses

The net release of provision for credit losses of USD 6 million (six months ended 30 June 2012: provision USD 41 million) comprises additional provision for credit losses of USD (6) million (six months ended 30 June 2012: USD (6) million) and a release of provision for credit losses of USD 12 million (six months ended 30 June 2012: USD 47 million).

6. Commission and Fee Income/ (Expense)

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Commission and fee income/ (expense) (USD million)		
Lending business	87	79
Other customer services	(66)	(78)
Net commission and fee income/ (expense)	**21**	**1**
Total commission and fee income	87	79
Total commission and fee expense	(66)	(78)
Net commission and fee income/ (expense)	**21**	**1**

7. Other Revenue

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Other Revenue (USD million)		
Revenue sharing agreement expense	(305)	(457)
Other	(10)	(6)
Other revenue	**(315)**	**(463)**

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

8. Compensation and Benefits

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Compensation and Benefits (USD million)		
Salaries and variable compensation	(196)	(193)
Social security	(25)	(23)
Pensions	(6)	(15)
Other	(2)	(2)
Compensation and benefits	**(229)**	**(233)**

9. General and Administrative Expenses

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
General and administrative expenses (USD million)		
Amortisation expenses	(84)	(70)
Depreciation expenses	(33)	(36)
Impairment of intangible assets and investment property	(43)	(14)
Brokerage charges and clearing house fees	(167)	(160)
Professional services	(19)	(10)
CSG trademark	(9)	(10)
Marketing data, publicity and subscriptions	(10)	(10)
Net overheads allocated from other CS group entities	(266)	(269)
Other	(23)	(20)
General and administrative expenses	**(654)**	**(599)**

During 2011 the UK Government introduced a new levy, the UK Bank Levy, for all Banks and Banking groups operating in the UK. The Levy is charged on a firm's liabilities as at the statement of financial position date (i.e. 31 December 2013) at a rate of 13.0 basis points for all short-term liabilities and 6.5 basis points for long-term liabilities. The rate for 2014 has been further increased to 14.2 basis points for all short-term liabilities and 7.1 basis points for long-term liabilities. Under current accounting requirements, the Bank Levy charge will only be recognised in the financial statements on 31 December each year. The estimate for the liability in respect of 2013 is USD 64 million.

10. Net Gains from Financial Assets/Liabilities at Fair Value Through Profit or Loss

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Net gains from financial assets/liabilities designated at fair value through profit or loss (USD million)		
Interest rate	27	1,942
Foreign exchange	1,037	(294)
Equity	(114)	99
Commodity	538	85
Credit	192	(47)
Other	2	45
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,682**	**1,830**

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

	30 June 2013	31 December 2012
Trading financial assets at fair value through profit or loss (USD million)		
Debt securities	25,293	34,896
Equity securities	14,015	14,557
Derivative instruments	411,661	506,232
Other	1,882	1,648
Trading financial assets at fair value through profit or loss	**452,851**	**557,333**

	30 June 2013	31 December 2012
Trading financial liabilities at fair value through profit or loss (USD million)		
Short positions	10,727	11,472
Derivative instruments	416,665	514,265
Total trading financial liabilities at fair value through profit or loss	**427,392**	**525,737**

12. Income Tax

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Income tax (USD million)		
Current tax	-	21
Deferred tax	(67)	(499)
Income tax charge	**(67)**	**(478)**

The income tax charge for the period can be reconciled to the profit per the Condensed Consolidated Interim Statement of Comprehensive Income as follows:

	Six month period ended 30 June 2013	Six month period ended 30 June 2012
Income tax reconciliation (USD million)		
Profit before tax	453	503
(Profit) / Loss before tax multiplied by the UK statutory rate of corporation tax of 23.25% (2012: 24.5%)	(106)	(123)
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	-	(1)
Effect of deferred tax resulting from changes to tax rates	-	(76)
Other permanent differences	38	35
Adjustments to current tax in respect of previous periods	1	13
Adjustments to deferred tax in respect of previous periods	-	(2)
Impact of APA	-	(324)
Income tax charge	**(67)**	**(478)**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 23% (six months ended 30 June 2012: 24%). The Finance Act 2013, which passed into law on 17 July 2013, included a further reduction in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. If the rate reduction had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by a further USD 181 million.

In the second quarter of 2012, the UK and US tax Authorities advised CSi group that they reached agreement on the Credit Suisse Advanced Pricing Agreement ("APA") application for the period 2004-2011. The APA sets out the transfer pricing methodology which determines the allocation of profits and losses to be taxed in each jurisdiction. As a result of this agreement, CSi has reduced losses carried forward as at 30 June 2012 by USD 834 million which results in an income tax expense of USD 324 million and an overall reduction in CSi's net deferred tax asset of USD 334 million.

The deferred tax asset has been recognised in full on the basis that there is sufficient probability that future taxable profit will be available against which the CSi group can utilise these benefits. This is based on management's assessment that it is probable that the CSi group will have taxable profits against which the unused tax losses and deductible temporary differences can be utilised. Generally, in determining the amounts of deferred tax assets to be recognised, management considers available evidence including forecast operating income and, where applicable, a review of the eligible carry-forward periods, tax planning opportunities and other relevant considerations.

13. Long Term Debt

	Balance as at 1 January 2013	Issuances	Repayments and other movements	Translation FX and Interest movements	Balance as at 30 June 2013
Long term debt (USD million)					
Senior debt	22,283	105	(7,945)	(109)	14,334
Subordinated debt	8,371	2,625	(1,525)	139	9,610
Total Long Term Debt	**30,654**	**2,730**	**(9,470)**	**30**	**23,944**

	Balance as at 1 January 2012	Issuances	Repayments and other movements	Translation, FX and Interest movements	Balance as at 31 December 2012
Long term debt (USD million)					
Senior debt	20,471	2,341	(742)	213	22,283
Subordinated debt	11,202	-	(3,168)	337	8,371
Total Long Term Debt	**31,673**	**2,341**	**(3,910)**	**550**	**30,654**

14. Derivatives

30 June 2013	Positive fair value	Negative fair value
Derivatives (USD million)		
Interest rate products	571,525	563,840
Foreign exchange products	64,461	76,650
Equity/indexed-related products	37,214	37,276
Credit products	36,599	36,431
Other products	6,879	7,169
Total Derivative Instruments	**716,678**	**721,366**

31 December 2012	Positive fair value	Negative fair value
Derivatives (USD million)		
Interest rate products	779,164	770,335
Foreign exchange products	56,299	72,562
Equity/indexed-related products	30,070	31,500
Credit products	39,381	38,898
Other products	5,292	5,280
Total Derivative Instruments	**910,206**	**918,575**

	30 June 2013		31 December 2012	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivatives instruments (USD million)				
Fair values (trading and hedging) before netting	716,678	721,366	910,206	918,575
Fair values (trading and hedging) after netting	411,661	416,665	506,232	514,265

PAF2 transaction

The CSi group results are impacted by the risk of counterparty defaults and the potential for changes in counterparty credit spreads related to derivative trading activities of CSi. In the first quarter of 2012, CS group through CSi and its non-consolidated affiliates entered into the PAF2 transaction to hedge the counterparty credit risk of a referenced portfolio of derivatives and their credit spread volatility. The hedge covers approximately USD 12 billion notional amount of expected positive exposure from counterparties of CSi, and is 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 is retained by CSi and actively managed through normal credit procedures. The mezzanine layer is hedged at the CS group level (and hence partially at the CSi level) by transferring the risk of default and counterparty credit spread movements to eligible employees of the CS group in the form of PAF2 awards, as part of their deferred compensation granted in the annual compensation process. CSi has purchased protection on the senior layer to hedge against the potential for future counterparty credit spread volatility. This was executed through a CDS which is accounted for at fair value.

In December 2012, the Basel Committee on Banking Supervision ('BCBS') published updated regulatory guidance that makes the PAF2 transaction as currently structured ineligible for counterparty credit spread hedging under the Basel III framework for CS group regulatory capital purposes. As a result of this new guidance, CS group has 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. As at 30 June 2013, the fair value of the CDS was USD 18 million. CS group is in the process of negotiating a restructuring of the transaction in order for the PAF2 transaction as a whole to remain an eligible counterparty credit spread hedge under Basel III framework for CS group regulatory capital purposes. If a restructuring is not completed, CS group may terminate the transaction.

15. Called-up Share Capital and Share Premium

	30 June 2013	31 December 2012
Allotted, called up and fully paid share capital (USD)		
Ordinary voting shares of USD 0.1 each	13	13
Participating non-voting shares of USD 0.1 each	3,107,655,992	3,107,655,992
	3,107,656,005	3,107,656,005

	30 June 2013	31 December 2012
Share Premium (USD)		
Opening balance	12,698,984,345	1,016,106,287
Reduction in face value of Ordinary shares	-	112
Transfer of Participating shares relating to capital restructuring	-	3,950,611,279
Transfer of Preference shares relating to capital restructuring	-	5,235,000,000
Issuance of Participating shares relating to capital restructuring	-	(581,666,666)
Conversion of subordinated debt to Participating shares relating to capital restructuring	-	2,634,488,889
Issuance of Participating shares	-	444,444,444
Closing balance	**12,698,984,345**	**12,698,984,345**

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

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

16. Contingent Liabilities and Commitments

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

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

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

17. Related Party

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

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via the use of loans/deposits and repurchase/resale agreements. The CSi group is also charged by other CS group companies for operating costs which mainly relate to employee-related services and other business expenses.

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

The nature of related party transactions remained consistent for the six months ended 30 June 2013 compared to the year ended 31 December 2012.

18. Financial Instruments Risk Position

The CS group, of which the CSi group is a part, manages its risks under global policies. The CS group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CS group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputation risk.

There have been no material changes in the risk management policies since the year ended 31 December 2012.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the CSi group, as measured by ten-day 99% Valution at Risk ('VaR'). The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio. There is no material difference in VaR between the Bank and the CSi group.

Ten day, 99% VaR trading portfolios	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit[1]	Total
30 June 2013 (USD million)						
Average	89	18	9	27	(76)	67
Minimum	63	8	3	13		48
Maximum	124	39	14	86		113
End of period	63	8	13	19	(46)	57
31 December 2012 (USD million)						
Average	101	23	11	34	(77)	92
Minimum	75	5	2	19		46
Maximum	139	70	29	83		150
End of period	97	15	10	40	(93)	69

1) VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.
2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

VaR results

The Bank's ten-day, 99% regulatory VaR as of 28 June 2013 was USD 57 million (31 December 2012: USD 69 million).

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including back testing. In line with industry practice, the Bank presents back testing using actual daily trading revenues. Actual daily trading revenues are compared with VaR calculated using a one-day holding period. A back testing exception occurs when the daily loss exceeds the daily VaR estimate.

Interest rate sensitivity position in the non-trading portfolio

Interest rate risk on non-trading positions is shown below using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel increase in yield curves on the fair value of interest rate-sensitive non-trading book positions would have been an increase of USD 1 million as of 30 June 2013 compared to USD 2 million as of 31 December 2012. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 30 June 2013, the fair value impacts of 200-basis-point move in yield curves (flooring at zero where appropriate) was:

+200bps increase of USD 265 million (31 December 2012: USD 549 million)

-200bps decrease of USD 148 million (31 December 2012: USD 14 million)

The fair value impact of a statistical one-year, 99% adverse change in yield curves was a decrease of USD 122 million. Both measures are significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

Net Counterparty Exposure before Collateral by Internal Rating

	30 June 2013		31 December 2012	
	USD million	%	USD million	%
AAA	3,182	5	3,315	4
AA+ to AA-	16,793	23	17,445	21
A+ to A-	23,259	32	33,067	39
BBB+ to BBB-	16,628	23	15,062	18
BB+ to BB-	6,932	10	8,117	9
B+ and below	4,916	7	7,350	9
	71,710	**100**	84,356	100

Net Unsecured Exposure by Internal Rating (including provisions)

	30 June 2013		31 December 2012	
	USD million	%	USD million	%
AAA	3,476	11	3,958	13
AA+ to AA-	7,075	23	7,834	25
A+ to A-	11,781	39	9,606	31
BBB+ to BBB-	4,130	14	4,503	14
BB+ to BB-	1,303	4	1,886	6
B+ and below	2,716	9	3,413	11
	30,481	**100**	31,200	100

19. Financial Instruments

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

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).

Analysis of financial instruments by categories

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

Group as at 30 June 2013		Carrying value			
	Fair Value	Held for trading	Designated at fair value	Loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	10,755	-	-	10,755	10,755
Interest-bearing deposits with banks	2,596	-	-	2,596	2,596
Securities purchased under resale agreements and securities borrowing transactions	23,686	-	-	23,686	23,686
Trading financial assets at fair value through profit or loss	452,851	452,851	-	-	452,851
Financial assets designated at fair value through profit or loss	22,623	-	22,623	-	22,623
Loans and receivables	13,451	-	-	13,451	13,451
Other investments	32	-	-	32	32
Other assets	47,121	-	-	47,121	47,121
Total financial assets	**573,115**	**452,851**	**22,623**	**97,641**	**573,115**
Financial Liabilities (USD million)					
Deposits	4,956	-	-	4,956	4,956
Securities sold under repurchase agreements and securities lending transactions	6,276	-	-	6,276	6,276
Trading financial liabilities at fair value through profit or loss	427,392	427,392	-	-	427,392
Financial liabilities designated at fair value through profit or loss	30,737	-	30,737	-	30,737
Short term borrowings	25,583	-	-	25,576	25,576
Long term debt	23,641	-	-	23,944	23,944
Other liabilities	40,883	-	-	40,883	40,883
Total financial liabilities	**559,468**	**427,392**	**30,737**	**101,635**	**559,764**

Group as at 31 December 2012		Carrying value			
	Fair Value	Held for trading	Designated at fair value	Loans and receivables	Total
Financial Assets (USD million)					
Cash and due from banks	18,690	-	-	18,690	18,690
Interest-bearing deposits with banks	2,525	-	-	2,525	2,525
Securities purchased under resale agreements and securities borrowing transactions	24,103	-	-	24,103	24,103
Trading financial assets at fair value through profit or loss	557,333	557,333	-	-	557,333
Financial assets designated at fair value through profit or loss	20,128	-	20,128	-	20,128
Loans and receivables	13,506	-	-	13,509	13,509
Other investments	33	-	-	33	33
Other assets	53,960	-	-	53,960	53,960
Total financial assets	**690,278**	**557,333**	**20,128**	**112,820**	**690,281**
Financial Liabilities (USD million)					
Deposits	4,844	-	-	4,844	4,844
Securities sold under repurchase agreements and securities lending transactions	4,874	-	-	4,874	4,874
Trading financial liabilities at fair value through profit or loss	525,737	525,737	-	-	525,737
Financial liabilities designated at fair value through profit or loss	36,644	-	36,644	-	36,644
Short term borrowings	29,741	-	-	29,718	29,718
Long term debt	32,177	-	-	30,654	30,654
Other liabilities	44,942	-	-	44,942	44,942
Total financial liabilities	**678,959**	**525,737**	**36,644**	**115,032**	**677,413**

Fair value measurement

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

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

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

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

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

Fair value hierarchy

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

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

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

30 June 2013 (USD million)	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets					
Debt Securities	**6,351**	**17,390**	**1,552**	**-**	**25,293**
Of which foreign governments	6,351	4,584	26	-	10,961
Of which corporates	-	12,585	1,406	-	13,991
Of which Residential Mortgage Backed Securities	-	221	-	-	221
Of which Commercial Mortgage Backed Securities	-	-	120	-	120
Equity Securities	**11,500**	**2,460**	**55**	**-**	**14,015**
Derivatives	**8,441**	**702,710**	**5,527**	**(305,017)**	**411,661**
Of which interest rate products	298	569,873	1,355	(289,984)	281,542
Of which foreign exchange products	128	63,803	530	-	64,461
Of which equity/index-related products	7,594	27,725	1,895	(14,911)	22,303
Of which credit derivatives	-	34,900	1,698	-	36,598
Of which other products	421	6,409	49	(122)	6,757
Other	**-**	**1,425**	**457**	**-**	**1,882**
Total trading financial assets at fair value through profit or loss	**26,292**	**723,985**	**7,591**	**(305,017)**	**452,851**
Interest bearing deposits with banks, securities purchased under resale agreements and securities borrowing transactions	**-**	**9,019**	**-**	**-**	**9,019**
Loans	**-**	**6,250**	**4,569**	**-**	**10,819**
Of which commercial and industrial Loans	-	1,235	1,925	-	3,160
Of which loans to finance institutions	-	2,754	1,795	-	4,549
Of which government and public institutions	-	2,261	849	-	3,110
Other financial assets designated at fair value through profit or loss		**2,613**	**172**	**-**	**2,785**
Total financial assets designated at fair value through profit or loss	**-**	**17,882**	**4,741**	**-**	**22,623**
Total assets at fair value	**26,292**	**741,867**	**12,332**	**(305,017)**	**475,474**

30 June 2013 (USD million)	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities					
Debt Securities	**3,961**	**2,011**	**7**	**-**	**5,979**
Of which UK government	70	-	-	-	70
Of which foreign governments	3,891	1,407	-	-	5,298
Of which corporates	-	604	7	-	611
Equity Securities	**4,636**	**112**	**-**	**-**	**4,748**
Derivatives	**7,334**	**708,540**	**5,492**	**(304,701)**	**416,665**
Of which interest rate products	167	562,648	1,027	(289,668)	274,174
Of which foreign exchange products	125	75,149	1,375	-	76,649
Of which equity/index-related products	6,424	29,454	1,397	(14,911)	22,364
Of which credit derivatives	-	34,768	1,663	-	36,431
Of which other products	618	6,521	30	(122)	7,047
Total trading financial liabilities at fair value through profit or loss	**15,931**	**710,663**	**5,499**	**(304,701)**	**427,392**
Customer deposits	**-**	**2,278**	**592**	**-**	**2,870**
Securities sold under repurchase agreements and securities lending transactions	**-**	**8,789**	**-**	**-**	**8,789**
Short term borrowings	**-**	**1,373**	**138**	**-**	**1,511**
Long term debt	**-**	**11,656**	**4,838**	**-**	**16,494**
Of which treasury debt over two years	-	292	-	-	292
Of which structured notes over two years	-	5,058	3,867	-	8,925
Of which non-recourse liabilities	-	825	-	-	825
Other financial liabilities designated at fair value through profit or loss	**-**	**971**	**102**	**-**	**1,073**
Of which failed sales	-	956	98	-	1,054
Total financial liabilities designated at fair value through profit or loss	**-**	**25,067**	**5,670**	**-**	**30,737**
Total liabilities at fair value	**15,931**	**735,730**	**11,169**	**(304,701)**	**458,129**

31 December 2012 (USD million)	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets					
Debt Securities	**10,519**	**21,683**	**2,694**	**-**	**34,896**
Of which UK government	-	-	-	-	-
Of which foreign governments	10,519	7,558	90	-	18,167
Of which corporates	-	13,891	2,278	-	16,169
Of which Residential Mortgage Backed Securities	-	234	-	-	234
Of which Commercial Mortgage Backed Securities	-	-	321	-	321
Of which all other debt obligations	-	-	5	-	5
Equity Securities	**11,391**	**3,136**	**30**	**-**	**14,557**
Derivatives	**2,586**	**901,804**	**5,816**	**(403,974)**	**506,232**
Of which interest rate products	211	777,569	1,921	(397,278)	382,423
Of which foreign exchange products	-	56,127	624	-	56,751
Of which equity/index-related products	2,192	24,937	1,797	(6,696)	22,230
Of which credit derivatives	-	37,940	1,471	-	39,411
Of which other products	183	5,231	3	-	5,417
Other	**-**	**1,202**	**446**	**-**	**1,648**
Total trading financial assets at fair value through profit or loss	**24,496**	**927,825**	**8,986**	**(403,974)**	**557,333**
Interest bearing deposits with banks, securities purchased under resale agreements and securities borrowing transactions	**-**	**5,551**	**-**	**-**	**5,551**
Loans		**7,183**	**3,429**		**10,612**
Of which commercial and industrial Loans	-	1,057	2,120	-	3,177
Of which loans to finance institutions	-	3,350	921	-	4,271
Of which government and public institutions	-	2,776	388	-	3,164
Other financial assets designated at fair value through profit or loss	**-**	**3,716**	**249**	**-**	**3,965**
Total financial assets designated at fair value through profit or loss	**-**	**16,450**	**3,678**	**-**	**20,128**
Total assets at fair value	**24,496**	**944,275**	**12,664**	**(403,974)**	**577,461**

31 December 2012 (USD million)	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities					
Debt Securities	**3,866**	**1,600**	**13**	**-**	**5,479**
Of which UK government	93	-	-	-	93
Of which foreign governments	3,773	1,145	-	-	4,918
Of which corporates	-	455	13	-	468
Equity Securities	**5,963**	**30**	**-**	**-**	**5,993**
Derivatives	**2,207**	**910,452**	**5,916**	**(404,310)**	**514,265**
Of which interest rate products	111	770,562	1,360	(397,614)	374,419
Of which foreign exchange products	-	70,616	1,778	-	72,394
Of which equity/index-related products	1,860	26,648	1,253	(6,696)	23,065
Of which credit derivatives	-	37,393	1,471	-	38,864
Of which other products	236	5,233	54	-	5,523
Total trading financial liabilities at fair value through profit or loss	**12,036**	**912,082**	**5,929**	**(404,310)**	**525,737**
Securities sold under repurchase agreements and securities lending transactions	**-**	**10,773**	**-**	**-**	**10,773**
Short term borrowings	**-**	**1,167**	**196**	**-**	**1,363**
Long term debt	**-**	**17,769**	**4,868**	**-**	**22,637**
Of which treasury debt over two years	-	296	-	-	296
Of which structured notes over two years	-	7,185	3,477	-	10,662
Of which non-recourse liabilities	-	987	11	-	998
Other financial liabilities designated at fair value through profit or loss	**-**	**1,651**	**220**	**-**	**1,871**
Of which failed sales	-	1,651	220	-	1,871
Total financial liabilities designated at fair value through profit or loss	**-**	**31,360**	**5,284**	**-**	**36,644**
Total liabilities at fair value	12,036	943,442	11,213	(404,310)	562,381

Fair value hierarchy-Nonrecurring

Nonrecurring fair value changes

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

Non-recurring fair value changes

End of	30 June 2013	31 December 2012
Investment property (USD million)		
of which level 2	487	518
of which level 3	-	-

Transfers between Level 1 and Level 2

The table below shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

Group	30 June 2013	31 December 2012
Assets (USD million)		
Trading financial assets at fair value through profit or loss	23	276
Total transfers in assets at fair value	**23**	**276**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	1	8
Total transfers in liabilities at fair value	**1**	**8**

The transfers from Level 1 to Level 2 were mainly driven by trading securities where the liquidity had decreased and subsequently lacked pricing transparency. These transfers take place at the end of the reporting period.

The table below shows the transfers from Level 2 to Level 1 of the fair value hierarchy.

Group	30 June 2013	31 December 2012
Assets (USD million)		
Trading financial assets at fair value through profit or loss	4,116	4,967
Total transfers in assets at fair value	**4,116**	**4,967**
Liabilities (USD million)		
Trading financial liabilities at fair value through profit or loss	3,241	5,128
Total transfers in liabilities at fair value	**3,241**	**5,128**

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

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

As at 30 June 2013								Trading revenues		Other revenues		
	Balance at beginning of period	Transfers in[2]	Transfers out[2]	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period
Assets at fair value (USD million)												
Debt Securities	**2,694**	**73**	**(171)**	**1,277**	**(2,074)**	**-**	**-**	**20**	**(267)**	**-**	**-**	**1,552**
Of which foreign governments	90	23	(70)	11	(26)			13	(15)	-	-	26
Of which corporates	2,278	50	(101)	1,266	(1,801)	-	-	7	(293)	-	-	1,406
Of which CMBS	321	-	-	-	(239)	-	-	-	38	-	-	120
Of which all other Debt Obligation	5	-	-	-	(8)	-	-	-	3	-	-	-
Equity Securities	**30**	**129**	**-**	**36**	**(140)**	**-**	**-**	**-**	**-**	**-**	**-**	**55**
Derivatives	**5,816**	**1,296**	**(1,213)**	**-**	**3**	**751**	**(1,032)**	**87**	**(181)**	**-**	**-**	**5,527**
Of which interest rate products	1,921	32	(157)	-	3	173	(193)	(2)	(422)	-	-	1,355
Of which foreign exchange products	624	29	(16)	-	-	6	(77)	(1)	(35)	-	-	530
Of which equity/index related products	1,797	65	(305)	-	-	292	(354)	80	320	-	-	1,895
Of which credit derivatives	1,471	1,170	(735)	-	-	167	(400)	10	15	-	-	1,698
Of which other products	3	-	-	-	-	113	(8)	-	(59)	-	-	49
Other	**446**	**40**	**(17)**	**163**	**(63)**	**-**	**(130)**	**-**	**18**	**-**	**-**	**457**
Trading financial assets at fair value through profit or loss	**8,986**	**1,538**	**(1,401)**	**1,476**	**(2,274)**	**751**	**(1,162)**	**107**	**(430)**	**-**	**-**	**7,591**
Loans	**3,430**	**10**	**(33)**	**133**	**(380)**	**1,949**	**(397)**	**(1)**	**(142)**	**-**	**-**	**4,569**
Of which commercial and industrial loan	2,121	10	(33)	133	(252)	394	(302)	(4)	(142)	-	-	1,925
Of which financial institution	921	-	-	-	-	884	(33)	23	-	-	-	1,795
Of which government & public institutions	388	-	-	-	(128)	671	(62)	(20)	-	-	-	849
Other financial assets designated at fair value through profit or loss	**248**	**-**	**-**	**18**	**(6)**	**-**	**(80)**	**-**	**(8)**	**-**	**-**	**172**
Financial assets designated at fair value through profit or loss	**3,678**	**10**	**(33)**	**151**	**(386)**	**1,949**	**(477)**	**(1)**	**(150)**	**-**	**-**	**4,741**
Total assets at fair value	**12,664**	**1,548**	**(1,434)**	**1,627**	**(2,660)**	**2,700**	**(1,639)**	**106**	**(580)**	**-**	**-**	**12,332**

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

[2] Transfers take place at the end of the reporting period.

As at 30 June 2013								Trading revenues		Other revenues		
	Balance at beginning of period	Transfers in[2]	Transfers out[2]	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period
Liabilities at fair value (USD million)												
Debts	**13**	**-**	**-**	**-**	**(34)**	**22**	**-**	**-**	**6**	-	-	**7**
Of which corporates	13	-	-	-	(34)	22	-	-	6	-	-	7
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	**-**
Derivatives	**5,916**	**861**	**(527)**	**-**	**-**	**434**	**(1,328)**	**45**	**91**	-	-	**5,492**
Of which interest rate derivatives	1,360	8	(73)	-	-	31	-	(1)	(298)	-	-	1,027
Of which foreign exchange derivatives	1,778	13	(48)	-	-	19	(507)	(5)	125	-	-	1,375
Of which equity/Index related derivatives	1,253	83	(242)	-	-	276	(284)	15	296	-	-	1,397
Of which credit derivatives	1,471	757	(164)	-		107	(525)	36	(19)	-	-	1,663
Of which other product	54	-	-	-	-	1	(12)	-	(13)	-	-	30
Other	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	**-**
Total Trading financial liabilities at fair value through profit or loss	**5,929**	**861**	**(527)**	**-**	**(34)**	**456**	**(1,328)**	**45**	**97**	-	-	**5,499**
Customer deposits	**-**	**6**	**(30)**	**-**	**-**	**447**	**(96)**	**1**	**264**	-	-	**592**
Short term borrowings	**196**	**-**	**-**	**-**	**-**	**43**	**(80)**	**-**	**(21)**	-	-	**138**
Long term debt	**4,868**	**144**	**(240)**	**-**	**-**	**1,112**	**(1,064)**	**2**	**16**	-	-	**4,838**
Of which structured notes over 2 years	3,477	120	(188)	-	-	1,132	(756)	2	80	-	-	3,867
Of which recourse liabilities	11	-	-	-	-	-	(11)	-	-	-	-	-
Other financial liabilities designated at fair value through profit & loss	**220**	**13**	**(70)**	**-**	**(56)**	**-**	**-**	**(4)**	**(1)**	-	-	**102**
Of which failed sales	220	13	(66)	-	(67)	-	-		(2)	-	-	98
Financial liabilities designated at fair value through profit & loss	**5,284**	**163**	**(340)**	**-**	**(56)**	**1,602**	**(1,240)**	**(1)**	**258**	-	-	**5,670**
Other financial liabilities at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities at fair value	**11,213**	**1,024**	**(867)**	**-**	**(90)**	**2,058**	**(2,568)**	**44**	**355**	-	-	**11,169**
Net assets/(liabilities) at fair value	**1,451**	**524**	**(567)**	**1,627**	**(2,570)**	**642**	**929**	**62**	**(935)**	-	-	**1,163**

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

[2] Transfers take place at the end of the reporting period.

As at 31 December 2012								Trading revenues		Other revenues		
	Balance at beginning of period	Transfers in[2]	Transfers out[2]	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period
Assets at fair value (USD million)												
Debt Securities	**6,166**	**443**	**(3,709)**	**4,174**	**(4,455)**	**-**	**-**	**57**	**18**	**-**	**-**	**2,694**
Of which foreign governments	380	1	(89)	172	(331)	-	-	8	(51)	-	-	90
Of which corporates	5,226	442	(3,592)	3,993	(4,042)	-	-	52	199	-	-	2,278
Of which RMBS	-	-	(28)	-	-	-	-	(3)	31	-	-	-
Of which CMBS	478	-	-	-	-	-	-	-	(157)	-	-	321
Of which all other Debt Obligation	82	-	-	9	(82)	-	-	-	(4)	-	-	5
Equity Securities	**30**	**48**	**(5)**	**20**	**(51)**	**-**	**-**	**(9)**	**(3)**	**-**	**-**	**30**
Derivatives	**8,838**	**1,256**	**(2,257)**	**-**	**-**	**859**	**(3,461)**	**19**	**562**	**-**	**-**	**5,816**
Of which interest rate products	2,676	167	(711)	-	1	344	(1,038)	42	440	-	-	1,921
Of which foreign exchange products	873	14	(103)	-	-	9	(176)	7	-	-	-	624
Of which equity/index related products	3,218	183	(729)	-	-	246	(1,166)	(73)	118	-	-	1,797
Of which credit derivatives	1,891	878	(708)	-	(1)	253	(887)	49	(4)	-	-	1,471
Of which other products	180	14	(6)	-	-	7	(194)	(6)	8	-	-	3
Other	**319**	**1**	**-**	**195**	**(69)**	**-**	**(2)**	**2**	**-**	**-**	**-**	**446**
Trading financial assets at fair value through profit or loss	**15,353**	**1,748**	**(5,971)**	**4,389**	**(4,575)**	**859**	**(3,463)**	**69**	**577**	**-**	**-**	**8,986**
Loans	**4,916**	**54**	**(263)**	**296**	**(434)**	**2,242**	**(2,738)**	**-**	**(644)**	**-**	**-**	**3,429**
Of which commercial and industrial loan	2,936	54	-	159	(75)	716	(1,857)	-	187	-	-	2,120
Of which financial institution	1,875	-	(263)	120	(281)	1,119	(855)	-	(794)	-	-	921
Of which government & public institutions	105	-	-	17	(78)	407	(26)	-	(37)	-	-	388
Other financial assets designated at fair value through profit or loss	**214**	**-**	**-**	**90**	**(79)**	**1**	**(47)**	**-**	**70**	**-**	**-**	**249**
Financial assets designated at fair value through profit or loss	**5,130**	**54**	**(263)**	**386**	**(513)**	**2,243**	**(2,785)**	**-**	**(574)**	**-**	**-**	**3,678**
Total assets at fair value	**20,483**	**1,802**	**(6,234)**	**4,775**	**(5,088)**	**3,102**	**(6,248)**	**69**	**3**	**-**	**-**	**12,664**

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

[2] Transfers take place at the end of the reporting period.

As at 31 December 2012								Trading revenues		Other revenues		
	Balance at beginning of period	Transfers in[2]	Transfers out[2]	Purchases	Sales	Issuances	Settlement	On transfers in[1]/out	On all others	On transfers in / out	On all others	Balance at end of period
Liabilities at fair value (USD million)												
Debts	-	38	(3)	26	(280)	-	-	(9)	241	-	-	13
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	38	(3)	26	(280)	-	-	(9)	241	-	-	13
Equity	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	8,636	1,422	(2,487)	-	-	818	(3,350)	75	802	-	-	5,916
Of which interest rate derivatives	1,624	249	(797)	-	-	106	(280)	79	379	-	-	1,360
Of which foreign exchange derivatives	3,050	3	(194)	-	-	1	(1,113)	26	5	-	-	1,778
Of which equity/Index related derivatives	1,724	177	(776)	-	-	667	(460)	(90)	11	-	-	1,253
Of which credit derivatives	2,255	988	(718)	-	-	(26)	(1,461)	66	367	-	-	1,471
Of which other product	(17)	5	(2)	-	-	70	(36)	(6)	40	-	-	54
Total Trading financial liabilities at fair value through profit or loss	8,636	1,460	(2,490)	26	(280)	818	(3,350)	66	1,043	-	-	5,929
Short term borrowings	121	7	(48)	-	-	531	(284)	(7)	(124)	-	-	196
Long term debt	6,528	214	(806)	-	-	1,351	(3,048)	(27)	656	-	-	4,868
Of which structured notes over 2 years	4,696	143	(646)	-	-	1,007	(2,099)	(3)	379	-	-	3,477
Of which recourse liabilities	14	-	-	-	-	-	(4)	-	1	-	-	11
Other financial liabilities designated at fair value through profit & loss	230	24	7	45	(192)	-	(1)	1	106	-	-	220
Of which failed sales	208	24	7	45	(192)	-	-	-	128	-	-	220
Financial liabilities designated at fair value through profit & loss	6,879	245	(847)	45	(192)	1,882	(3,333)	(33)	638	-	-	5,284
Other financial liabilities at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities at fair value	15,515	1,705	(3,337)	71	(472)	2,700	(6,683)	33	1,681	-	-	11,213
Net assets/(liabilities) at fair value	4,968	97	(2,897)	4,704	(4,616)	402	435	36	(1,678)	-	-	1,451

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

[2] Transfers take place at the end of the reporting period.

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

As at 30 June 2013 (USD million)

	As at June 2013			As at December 2012		
	Trading Loss	Other revenue	**Total Loss**	Trading Loss	Other revenue	**Total Loss**
Net realised/unrealised gains/(losses) included in net revenues	**(873)**	**-**	**(873)**	**(1,642)**	**-**	**(1,642)**
Whereof: Changes in unrealised gains or losses relating to assets and liabilities still held as of the reporting date:					**-**	
Trading financial assets at fair value through profit or loss	232	-	232	15	-	15
Financial assets designated at fair value through profit or loss	69	-	69	130	-	130
Trading financial liabilities at fair value through profit or loss	12	-	12	(635)	-	(635)
Financial liabilities designated at fair value through profit or loss	(407)	-	(407)	(685)	-	(685)
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(94)**	**-**	**(94)**	**(1,175)**	**-**	**(1,175)**

Transfers in and out of level 3

Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 as at 30 June 2013 amounted to USD 1,538 million and USD (1,401) million, respectively. USD 1,296 million of transfers into level 3 were related to interest rate and credit derivatives. Transfers out of level 3 largely comprised of credit derivatives.

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss transferred into and out of level 3 as at 30 June 2013 amounted to USD 10 million and USD (33) million, respectively. These were related to corporate institutional loans.

Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 as at 30 June 2013 amounted to USD 861 million and USD (527) million, respectively. USD 757 million of transfers into level 3 were related to credit derivatives. Transfers out of level 3 largely comprised equity/index related derivatives and credit derivatives.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 as at 30 June 2013 amounted to USD 163 million and USD (340) million, respectively. These were largely related to structured notes.

Qualitative disclosures of valuation techniques

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

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

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

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

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

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

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

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

Debt securities

Foreign governments and corporates

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

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

Equity securities

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

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. Some observable exchange prices may not be considered executable at the reporting date and may have been adjusted for liquidity concerns. For those instruments where liquidity adjustments have been made to the exchange price, such as long-dated option contracts, the instrument has been included in level 2 of the fair value hierarchy.

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

Interest rate derivatives

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

Foreign exchange derivatives

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

Equity and index-related derivatives

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

Credit derivatives

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

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

Loans

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

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

Short-term borrowings and long-term debt

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

Other financial liabilities designated at fair value through profit or loss

Failed sales

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

Sensitivity of fair value measurements to changes in significant unobservable inputs

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

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs

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

Quantitative disclosures of valuation techniques

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

Group as at 30 June 2013
(USD million)

	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets						
Debt Securities	**1,552**					
of which corporates	1,406					
of which	211	Option model	Correlation, in %	(83)	93	15
			Volatility, in %	4	148	30
			Buyback probability, in %	50	100	61
of which	316	Discounted cash flow	Credit spread, in bp	100	491	439
of which	756	Market comparable	Price, in %	-	137	99
Derivatives	**5,527**					
of which interest rate products	1,355					
of which	1,355	Option model	Basis spread, in bp	(21)	211	106
			Correlation, in %	17	99	68
			Prepayment rate, in %	2	45	28
			Volatility, in %	2	31	7
			Credit spread, in bp	135	500	214
			Gap risk, in %	-	-	-
			Volatility skew, in %	(9)	4	(2)
of which foreign exchange products	530					
of which	321	Option model	Correlation, in %	(10)	93	49
			Prepayment rate, in %	20	32	26
			Volatility, in %	2	31	7
			Mean reversion, in %	(3)	(1)	(2)
			Volatility skew, in %	(8)	4	(2)
of which	66	Discounted cash flow	Credit spread, in bp	144	5,272	385
of which equity/index-related products	1,895					
of which	1,167	Option model	Correlation, in %	(83)	93	15
			Volatility, in %	4	148	29
			Buyback probability, in %	50	100	61
			Credit spread, in bp	21	172	112
of which credit derivatives	1,698					
of which	1,614	Discounted cash flow	Correlation, in %	43	97	57
			Credit spread, in bp	1	2,688	175
			Recovery rate, in %	-	77	38
			Discount rate, in %	-	38	10
			Default rate, in %	-	25	11
			Loss severity, in %	-	100	58

Group as at 30 June 2013
(USD million)

	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Loans	**4,569**					
of which commercial and industrial loans	1,925					
of which	1,796	Discounted cash flow	Credit spread, in bp	37	2,342	478
of which	251	Market comparable	Price, in %	2	123	55
of which loans to finance institutions	1,795					
of which	574	Vendor price	Price, in actuals	-	6	4
of which	594	Discounted cash flow	Credit spread, in bp	99	506	254
of which	280	Market comparable	Price, in %	917	917	917
of which government and public Institutions	849					
of which	849	Discounted cash flow	Credit spread, in bp	218	685	389
Liabilities						
Derivative	(5,492)					
of which interest rate products	(1,027)					
of which	(992)	Option model	Basis spread, in bp	(21)	211	106
			Correlation, in %	9	99	85
			Prepayment rate, in %	5	45	31
			Credit spread, in bp	34	491	394
			Gap risk, in %	-	-	-
			Mean reversion, in %	3	5	5
of which foreign exchange products	(1,375)					
of which	(1,257)	Option model	Correlation, in %	(10)	70	50
			Prepayment rate, in %	20	32	26
			Volatility skew, in %	(8)	4	-2
of which	(74)	Discounted cash flow	Credit spread, in bp	57	5,272	333
of which equity/index-related products	(1,397)					
of which	(1,076)	Option model	Correlation, in %	(83)	93	15
			Volatility, in %	4	148	29
			Buyback probability, in %	50	100	61
			Skew, in %	59	129	94
of which credit derivatives	(1,663)					
of which	(1,585)	Discounted cash flow	Correlation, in %	43	97	56
			Credit spread, in bp	1	2,688	210
			Recovery rate, in %	-	77	38
			Discount rate, in %	-	38	10
			Default rate, in %	-	25	11
			Loss severity, in %	-	100	58

Long Term Debt	**(4,838)**					
of which structured notes over one year and up to two years	(506)					
of which	(62)	Option model	Correlation, in %	4	93	53
			Volatility, in %	5	148	30
of which	(261)	Vendor price	Price, in actuals	190	594	231
of which	(183)	Discounted cash flow	Credit spread, in bp	199	1,325	373
of which structured notes over two years	(3,867)					
of which	(2,452)	Option model	Correlation, in %	(83)	99	31
			Volatility, in %	4	148	26
			Buyback probability, in %	50	100	61
			Gap risk, in %	-	8	-
of which	(632)	Discounted cash flow	Credit spread, in bp	264	1,300	703
of which other debt instruments over two years	(795)					
of which	(795)	Option model	Correlation, in %	(83)	93	15
			Volatility, in %	5	148	30
			Buyback probability, in %	50	100	61
			Gap risk, in %	-	8	-
			Skew, in %	59	129	94

Qualitative discussion of the ranges of significant unobservable inputs

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

Discount rate

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

Default rate and loss severity

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

Credit spread and recovery rate

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

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

Correlation

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

Prepayment rate

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

Volatility and skew

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

Sensitivity analysis of unobservable input parameters

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

		Reflected in net income/(loss)
	Favorable changes	Unfavorable changes
As at 30 June 2013 (USD million)		
Derivative assets and liabilities	364	(420)
Assets-backed securities, loans and derivatives	77	(71)
Debt and equity securities	99	(56)
Loans	78	(97)
Total	**618**	**(644)**
As at 31 December 2012 (USD million)		
Derivative assets and liabilities	381	(452)
Assets-backed securities, loans and derivatives	121	(112)
Debt and equity securities	99	(69)
Loans	71	(76)
Total	**672**	**(709)**

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Derivative assets and liabilities include primarily equity, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down. The movements varied by product and existing levels of correlation based upon management judgment. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to 10% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgment and underlying market conditions.

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

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

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

Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or the fair value is expected to become observable. When inputs to the valuation model becomes observable or the CSi group enters into offsetting transactions that substantially eliminate the instrument's risk.

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

	30 June 2013	31December 2012
Deferred trade date profit (USD million)		
Balance at the beginning of period	394	433
Increase due to new trades	66	175
Reduction due to passage of time	(35)	(37)
Reduction due to redemption, sales, transfers or improved observability	(30)	(177)
Balance at the end of period	**395**	**394**

20. Subsequent events

The Finance Act 2013, which passed into law on 17 July 2013, included a reduction in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. If the rate reduction had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by a further USD 181 million.

Independent Auditors' Review Report to the Members of Credit Suisse International

Introduction

We have been engaged by Credit Suisse International (the "Bank") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated interim statements of comprehensive income, financial position, changes in equity, cash flows for the period ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Bank management in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. The annual consolidated financial statements of the CSi group are prepared in accordance with IFRSs as adopted by the European Union (EU). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information* Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

S. Ryder

Simon Ryder

For and on behalf of KPMG Audit Plc

Chartered Accountants
15 Canada Square
London, E14 5GL
22 August 2013